

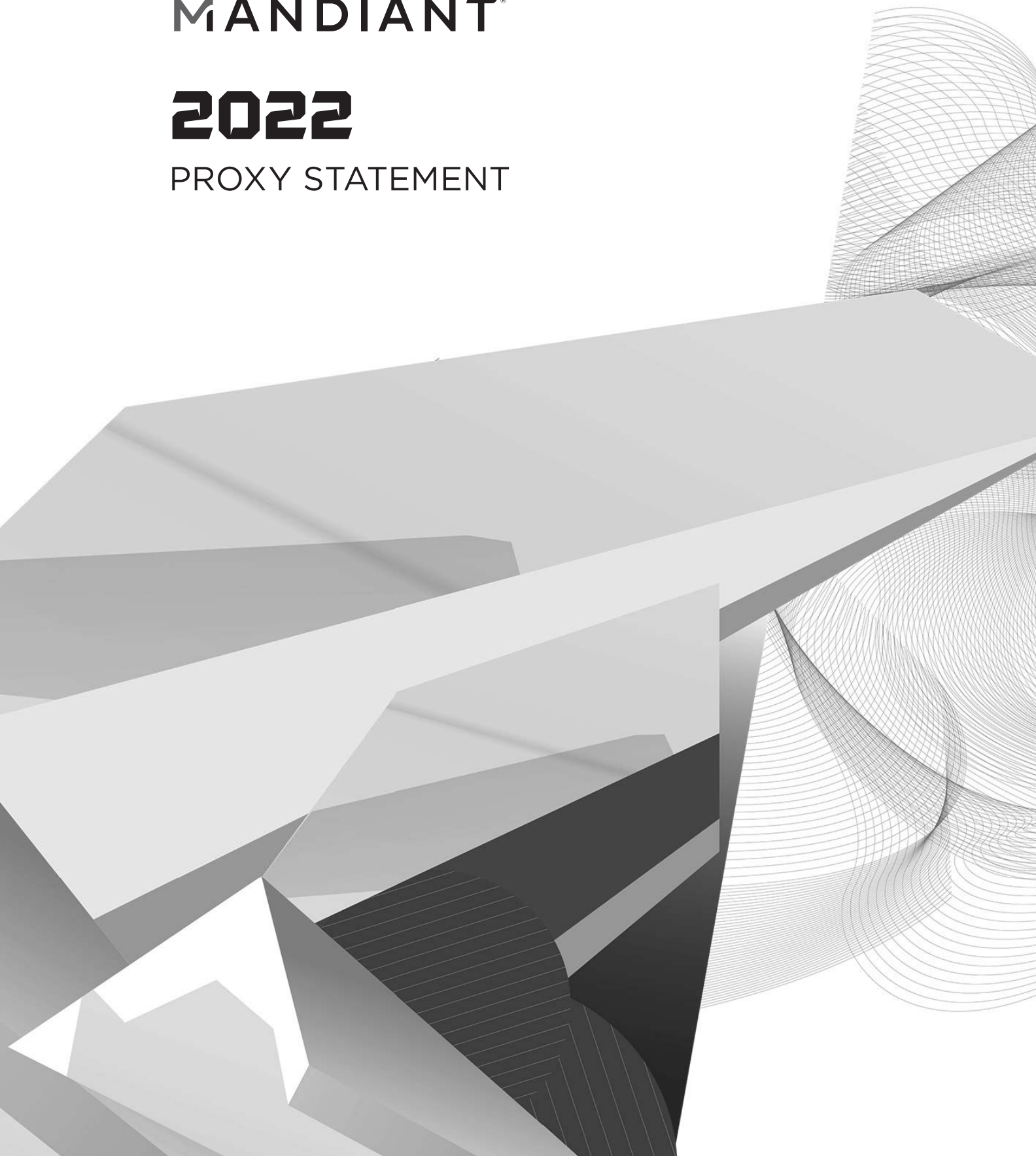
MANDIANT®



MANDIANT®

2022

PROXY STATEMENT





MANDIANT, INC.
11951 Freedom Drive, 6th Floor
Reston, VA 20190

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held at 1:00 p.m. Pacific Time on Thursday, July 7, 2022

Dear Mandiant Stockholder:

You are cordially invited to attend the 2022 annual meeting of stockholders (the “Annual Meeting”) of Mandiant, Inc., a Delaware corporation (“Mandiant”). The Annual Meeting will be held in a virtual meeting format only with no physical location on **Thursday, July 7, 2022 at 1:00 p.m. Pacific Time**, for the following purposes, as more fully described in the accompanying proxy statement:

1. To elect two Class III directors to serve until the 2025 annual meeting of stockholders and until their successors are elected and qualified;
2. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2022;
3. To conduct an advisory vote to approve the compensation of our named executive officers for our fiscal year ended December 31, 2021, as described in the proxy statement;
4. To conduct an advisory vote on the frequency of future stockholder advisory votes to approve the compensation of our named executive officers; and
5. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Our board of directors has fixed the close of business on May 16, 2022 as the record date for the Annual Meeting (the “Record Date”). Only stockholders of record on the Record Date are entitled to notice of and to vote at the Annual Meeting. Further information regarding voting rights and the matters to be voted upon is presented in the accompanying proxy statement.

On or about May 27, 2022, we expect to mail to our stockholders a Notice of Internet Availability of Proxy Materials (the “Notice”) containing instructions on how to access our proxy statement and our annual report. The Notice provides instructions on how to vote via the Internet or by telephone and includes instructions on how to receive a paper copy of our proxy materials by mail. The accompanying proxy statement and our annual report can be accessed directly at the Internet address listed on the Notice.

The Annual Meeting will be hosted in a virtual format only online via live webcast. You will not be able to attend the Annual Meeting in person. If your Mandiant shares are held in your own name in the records of Mandiant’s transfer agent, American Stock Transfer & Trust Company, LLC (“AST”) (*i.e.*, you are a stockholder of record), you will be able to attend and participate in the Annual Meeting online, vote your shares electronically at the Annual Meeting and submit your questions prior to and during the Annual Meeting by visiting <https://web.lumiagm.com/287951276> and entering both the 11-digit control number previously provided to you in your proxy materials and the meeting password. The password for the meeting is mandiant2022. If you are a stockholder of record and you have misplaced your 11-digit control number, please call AST at (800) 937-5449.

If your shares are held in “street name” through a bank, broker or other nominee, you must register in advance in order to attend the Annual Meeting. To register, obtain a “legal proxy” from the bank, broker or other nominee that is the record holder of your shares. Then submit the legal proxy, along with your name and email address, to AST to receive an 11-digit control number that may be used to access the virtual Annual Meeting website provided above. Requests for registration and submission of legal proxies should be labeled as “Legal Proxy” and must be received by AST no later than 5:00 p.m. Eastern Time on June 27, 2022. Submit your registration request and legal proxy by: (1) email to proxy@astfinancial.com; (2) facsimile to 718-765-8730, or (3) mail to American Stock Transfer & Trust Company, LLC, Attn: Proxy Tabulation Department, 6201 15th Avenue, Brooklyn, NY 11219. **Obtaining a legal proxy may take several days and you**

are advised to register as far in advance as possible. Once you have obtained your 11-digit control number from AST, please follow the steps set forth above for stockholders of record to attend the Annual Meeting.

YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the Annual Meeting, we urge you to submit your vote via the Internet, telephone or mail as soon as possible so that your shares can be voted at the Annual Meeting in accordance with your instructions.

Thank you for your continued support of Mandiant.

By order of the Board of Directors,

A handwritten signature in black ink, appearing to read "Kevin R. Mandia", written in a cursive style.

Kevin R. Mandia
Chief Executive Officer

Reston, Virginia
May 27, 2022

TABLE OF CONTENTS

	<u>Page</u>
PROXY SUMMARY	1
QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING	5
BOARD OF DIRECTORS AND CORPORATE GOVERNANCE	14
Nominees for Director	15
Other Directors	16
Director Independence	18
Board Leadership Structure	18
Board Meetings and Committees	18
Compensation Committee Interlocks and Insider Participation	21
Considerations in Evaluating Director Nominees	21
Stockholder Recommendations for Nominations to the Board of Directors	21
Communications with the Board of Directors	22
Corporate Governance Guidelines and Code of Business Conduct and Ethics	22
Risk Management	22
Stockholder Engagement	23
Corporate Responsibility	23
Outside Director Compensation Policy	29
2021 Director Compensation Table	30
PROPOSAL NO. 1 ELECTION OF DIRECTORS	32
Nominees	32
Vote Required	32
PROPOSAL NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	33
Fees Paid to the Independent Registered Public Accounting Firm	33
Auditor Independence	33
Audit Committee Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm	33
Vote Required	34
PROPOSAL NO. 3 ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION	35
Vote Required	35
PROPOSAL NO. 4 ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION	36
Vote Required	36
AUDIT COMMITTEE REPORT	37
EXECUTIVE OFFICERS	38
EXECUTIVE COMPENSATION	40
Compensation Discussion and Analysis	40
Compensation Committee Report	67
Summary Compensation Table for Fiscal Year 2021	68
Grants of Plan-Based Awards Table for Fiscal Year 2021	68
Outstanding Equity Awards at 2021 Fiscal Year-End Table	69

	Page
Option Exercises and Stock Vested for Fiscal Year 2021 Table	72
Employment Agreements for Executive Officers	73
Change of Control Severance Policy for Officers	73
Potential Payments upon a Change of Control, upon Termination or upon Termination Following a Change of Control	75
Equity Compensation Plan Information	75
CEO Pay Ratio	76
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT . . .	78
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE AND DELINQUENT REPORTS	81
CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS	81
Indemnification Agreements	81
Policies and Procedures for Related Party Transactions	81
CEO Travel Policy	81
OTHER MATTERS	83
Available Information	83
Company Website	83

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PROXY SUMMARY

YOUR VOTE IS IMPORTANT

This proxy summary highlights information contained within this proxy statement. You should read the entire proxy statement carefully and consider all information before voting.

VOTE RECOMMENDATIONS AND RATIONALE

Voting Matter	Board Vote Recommendation
Proposal No. 1: Election of Class III Directors Our board of directors and our nominating and corporate governance committee believe the two director nominees possess the skills and experience to effectively monitor performance, provide oversight, and advise management on our long-term business strategy.	FOR
Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm Our board of directors and our audit committee believe that the continued retention of Deloitte & Touche LLP for the fiscal year ending December 31, 2022 is in the best interests of the Company and its stockholders. Although not required by our bylaws, stockholders are asked to ratify the appointment of Deloitte & Touche LLP as a matter of good corporate governance.	FOR
Proposal No. 3: Advisory Vote to Approve Named Executive Officer Compensation Our 2021 executive compensation program demonstrates the continued evolution of our “pay for performance” philosophy, and reflects industry standards and the intense competition for executive talent. The changes we have made to our executive compensation program reflect feedback received through our ongoing stockholder outreach and investor communications programs.	FOR
Proposal No. 4: Advisory Vote on the Frequency of Future Advisory Votes to Approve Named Executive Officer Compensation Our board of directors has determined that holding an advisory vote to approve named executive officer compensation every year is the most appropriate policy for us at this time, and recommends that stockholders vote for future advisory votes to approve named executive officer compensation to occur each year.	1 YEAR

CORPORATE GOVERNANCE

We believe that strong corporate governance strengthens board and management accountability, leads to better business performance and aligns the long-term interests of our management team with our stakeholders, including our stockholders, our customers and our employees. We adopted numerous corporate governance “best practices” before our initial public offering, and we have continued to enhance our governance practices consistent with the highest standards since then. The Board of Directors and Corporate Governance section begins on page 14 and describes our policies and practices in detail.

Highlights of our current corporate governance policies and practices include:

• 100% independent committee members in audit committee, compensation committee and nominating and corporate governance committee	• Recognition of the importance of diverse viewpoints when nominating and evaluating directors
• Separate Chairperson and Chief Executive Officer roles	• Stock ownership requirements for directors and executive officers
• Independent Chairperson	• Adoption of formal Corporate Governance Guidelines and Code of Business Conduct and Ethics policies for directors, officers and employees
• Regularly scheduled executive sessions for independent directors without management present	• Periodic review of committee charters and governance policies
• Board risk oversight by full board and committees, including strategic, financial, business and operational, legal and compliance and reputational risks	• Active and ongoing stockholder outreach/engagement activities
• Majority voting for election of directors	• Director and executive officer succession planning

STOCKHOLDER ENGAGEMENT

We believe that effective corporate governance includes regular, constructive conversations with our stockholders on a broad range of governance and business topics, including business strategy and execution, board diversity and refreshment, executive compensation practices, risk oversight, sustainability, culture and human capital management, and we value our stockholders' continued opinions and feedback. We are committed to maintaining an active dialogue to understand the priorities and concerns of our stockholders. In the last 12 months, as part of our ongoing stockholder engagement program, we participated in more than 100 virtual and in-person meetings with our institutional stockholders, during which we engaged in substantive discussions on our corporate strategy, financial performance, executive compensation, environmental, social and governance (ESG) initiatives, and the impact of the COVID-19 pandemic on our business. These discussions covered a variety of topics, including our compensation philosophy, the composition of our board of directors, our commitment to diversity and inclusion, and our strategies to accelerate our transformation and achieve and sustain profitable growth in the future.

Maintaining an active dialogue with our stockholders is consistent with our corporate values of transparency and accountability.

CORPORATE RESPONSIBILITY

We believe that corporate citizenship and sustainable business practices go hand-in-hand with our mission to protect our customers from cyber threats. As an innovator and leader in the cybersecurity industry, we recognize that everything we do has an effect on the global economy, society, and the environment. Corporate citizenship, sustainability and diversity are embedded in our corporate values, which in turn define our corporate culture and guide decision-making at all levels within our organization.

Consistent with our values, we are constantly seeking new ways, both large and small, to engage our employees and improve our performance on environmental and social issues. We focus our efforts on:

1. Enabling a safer cyber environment for our employees, our customers, and the global cyber community;
2. Creating a diverse and inclusive corporate culture and workforce with high levels of engagement and a commitment to excellence; and
3. Promoting responsible global citizenship.

EXECUTIVE COMPENSATION

To succeed in the rapidly evolving and competitive cybersecurity industry, we must attract and retain a highly talented executive team. We designed our executive compensation program to foster a “pay for performance” environment that aligns the long term-interests of our executives with those of our stockholders.

In response to stockholder feedback, as well as the views expressed by the major proxy advisory firms, we have continued to revise and enhance our executive compensation program while remaining consistent with our stated compensation objectives and corporate values. For example, in response to our 2020 say-on-pay vote, as well as feedback from our stockholders received through our ongoing stockholder engagement efforts, and due to competitive market conditions, we made the following changes to our 2021 executive compensation program:

- For the performance-based equity awards granted in 2021, we used the general framework that we used in 2020 except we replaced the billings performance measure with a revenue performance measure and equally weighted the revenue and non-GAAP operating income performance measures. The change in financial metrics responded to feedback we received that our revenue performance may be a better indicator than our billings performance for our progress on our transformation journey.
- For our 2021 annual cash incentive program, we removed revenue as one of the corporate performance measures, since we added revenue as a corporate performance measure for the performance-based equity awards granted in 2021. The removal responded to specific feedback we received that we refrain from using the same performance measure for both our short-term and long-term incentive compensation programs.

At our 2021 annual meeting of stockholders, our “say-on-pay” proposal received support from approximately 98% of the votes cast. As a result, we believe that our stockholders favorably viewed the structure of our executive compensation program. However, in response to feedback from our stockholders received through our ongoing stockholder engagement efforts, and due to competitive market conditions, for our 2022 annual cash incentive program, we increased the weighting of annual recurring revenue to 50% from 35%, decreased the weighting of free cash flow from 35% to 30%, and decreased the weighting of individual performance measures from 30% to 20%. The changes in weightings to emphasize annual recurring revenue were in response to feedback from investors that they were especially focused on the growth of our annual recurring revenue following our divestiture of the FireEye Products business in October 2021.

For 2022, in light of the anticipated transaction with Google, we did not issue performance-based restricted stock units to our executive officers, and instead issued them time-based restricted stock units in March 2022 with a one-year performance period.

Our executive compensation program is designed to (1) allow us to attract and retain highly qualified executive talent, (2) motivate our executives to achieve our short-term and long-term objectives for growth and profitability, and (3) reflect a “pay for performance” philosophy that aligns the long-term interests of our executive officers with those of our stockholders. Highlights of our executive compensation policies and practices include:

What We Do	What We Do Not Do
• Maintain 100% independence of Compensation Committee members	• No pension arrangements, defined benefit retirement plans, or nonqualified deferred compensation plans
• Enable the Compensation Committee to engage and retain its own advisors	• No repricing or reissuing of options to purchase shares of our common stock without stockholder approval
• Support the Compensation Committee in its annual review of our executive compensation strategy and compensation-related risk profile	• No perquisites or other personal benefits to executive officers unless they serve a sound business purpose

What We Do	What We Do Not Do
Design the equity awards granted to be consistent with current market practice	No “single trigger” change of control payments or benefits
Prohibit short sales, hedging and transactions in derivatives of Mandiant securities for all Mandiant personnel and prohibit directors and executive officers from pledging their equity securities or using such securities as collateral for a loan	No tax gross-ups for change in control payments or benefits
Support our board of director’s review of the risks associated with our key executive positions on an annual basis	No strict benchmarking of compensation to a specific percentile of our peer group
Maintain formal stock ownership guidelines for our executive officers and the non-employee members of our board of directors	No guaranteed incentive compensation, indefinite contracts, or excessive severance payments
Maintain a clawback policy for recovery of incentive compensation in the event of fraud or intentional misconduct	Stock ownership requirements for directors and executive officers

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are all statements (and their underlying assumptions) included in this proxy statement that refer, directly or indirectly, to future events or outcomes and, as such, are inherently not factual, but rather reflect only our current projections for the future. Consequently, forward-looking statements usually include words such as “estimate,” “intend,” “plan,” “predict,” “seek,” “may,” “will,” “should,” “would,” “could,” “anticipate,” “expect,” “believe,” or similar words, in each case, intended to refer to future events or circumstances. Our future results may differ materially from our past results and from those projected in the forward-looking statements due to various uncertainties and risks, including, but not limited to, those included under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (the “SEC”) on March 1, 2022. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are based upon information available to us at this time. These statements are not guarantees of future performance. We disclaim any obligation to update information in any forward-looking statement. Actual results could vary from our forward-looking statements due to the factors described in our Annual Report on Form 10-K, as well as other important factors.

MANDIANT, INC.
PROXY STATEMENT
FOR 2022 ANNUAL MEETING OF STOCKHOLDERS
To Be Held at 1:00 p.m. Pacific Time on Thursday, July 7, 2022

This proxy statement and the enclosed form of proxy are furnished in connection with the solicitation of proxies by our board of directors for use at our 2022 annual meeting of stockholders (the “Annual Meeting”), and any postponements, adjournments or continuations thereof. The Annual Meeting will be held on Thursday, July 7, 2022 at 1:00 p.m. Pacific Time, in a virtual meeting format only with no physical location. The Notice of Internet Availability of Proxy Materials (the “Notice”) containing instructions on how to access this proxy statement and our annual report is first being mailed on or about May 27, 2022 to all stockholders entitled to receive notice of and to vote at the Annual Meeting.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

The information provided in the “question and answer” format below addresses certain frequently asked questions but is not intended to be a summary of all matters contained in this proxy statement. Please read the entire proxy statement carefully before voting your shares.

What matters am I voting on?

You will be voting on:

- the election of two Class III directors to hold office until the 2025 annual meeting of stockholders and until their successors are elected and qualified;
- a proposal to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2022;
- an advisory vote to approve named executive officer compensation;
- an advisory vote on the frequency of future advisory votes to approve named executive officer compensation; and
- any other business that may properly come before the Annual Meeting or any adjournments or postponements thereof.

How does our board of directors recommend that I vote?

Our board of directors recommends that you vote:

- FOR the two nominees for election as Class III directors;
- FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2022;
- FOR the approval, on an advisory basis, of named executive officer compensation; and
- For 1 YEAR as the frequency of future advisory votes to approve named executive officer compensation.

Will there be any other items of business on the agenda?

If any other items of business or other matters are properly brought before the Annual Meeting, your proxy gives discretionary authority to the persons named on the proxy card with respect to those items of business or other matters. The persons named on the proxy card intend to vote the proxy in accordance with their best judgment. Our board of directors does not intend to bring any other matters to be voted on at the Annual Meeting, and we are not currently aware of any matters that may be properly presented by others for consideration at the Annual Meeting.

Who is entitled to vote at the Annual Meeting?

Holders of our common stock and our 4.5% Series A Convertible Preferred Stock (our “convertible preferred stock”) at the close of business on May 16, 2022, the record date for the Annual Meeting

(the “Record Date”), are entitled to notice of and to vote at the Annual Meeting, or any postponement or adjournment of the Annual Meeting. As of the Record Date, there were 235,879,864 shares of our common stock outstanding and there were 400,000 shares of our convertible preferred stock outstanding which were convertible into 24,725,104 shares of our common stock. Each holder of our common stock is entitled to cast one vote per share on each matter to be voted upon. Each holder of our convertible preferred stock is entitled to vote on each matter to be presented at the annual meeting on an as converted basis equal to the number of shares of common stock into which each such share of convertible preferred stock is convertible on the Record Date. Our common stock and convertible preferred stock will vote together as a single class for all proposals at the Annual Meeting. Stockholders are not permitted to cumulate votes with respect to the election of directors.

Are there any requirements on how the holders of convertible preferred stock must vote?

Pursuant to the Blackstone Agreement (as defined elsewhere in this proxy statement) and the ClearSky Agreement (as defined elsewhere in this proxy statement) entered into in connection with the issuance and sale of our convertible preferred stock, Blackstone (as defined elsewhere in this proxy statement), for so long as it has the right to nominate for election one member to our board of directors, and ClearSky (as defined elsewhere in this proxy statement), for so long as it has the right to designate one non-voting observer to our board of directors, have agreed to take such action as may be required so that all of the shares of convertible preferred stock and shares of common stock issuable upon conversion of the convertible preferred stock, owned, directly or indirectly, of record or beneficially by them and entitled to vote are voted (a) in favor of our “say-on-pay” proposal and any proposal by us relating to equity compensation that has been approved by our board of directors or the compensation committee (or any successor committee, however denominated), (b) in favor of our proposal for ratification of the appointment of our independent registered public accounting firm and (c) in favor of any proposal by us for amendment of our organizational documents in a manner that does not have an adverse effect on the holders of convertible preferred stock to increase number of authorized shares of our capital stock.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Stockholder of Record: Shares Registered in Your Name. If, at the close of business on the Record Date, your shares were registered directly in your name with American Stock Transfer & Trust Company, LLC (“AST”), our transfer agent, then you are considered the stockholder of record with respect to those shares. As the stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to vote electronically at the Annual Meeting.

Beneficial Owners: Shares Registered in the Name of a Broker, Bank or Other Nominee. If, at the close of business on the Record Date, your shares were held, not in your name, but rather in a stock brokerage account or by a bank or other nominee on your behalf, then you are considered the beneficial owner of shares held in “street name.” As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote your shares by following the voting instructions your broker, bank or other nominee provides. If you do not provide your broker, bank or other nominee with instructions on how to vote your shares, your broker, bank or other nominee may, in its discretion, vote your shares with respect to routine matters but may not vote your shares with respect to any non-routine matters. Please see “*What if I do not specify how my shares are to be voted?*” later in this section for additional information.

How do I attend the Annual Meeting?

Stockholders of Record: Shares Registered in Your Name. If you were a holder of record of Mandiant stock at the close of business on the Record Date (i.e., your shares were held in your own name in the records of AST, Mandiant’s transfer agent), you can attend the virtual Annual Meeting by visiting <https://web.lumiagm.com/287951276> and entering both the 11-digit control number previously provided to you in your proxy materials and the meeting password. The password for the meeting is mandiant2022. If you are a stockholder of record and you have misplaced your 11-digit control number, please call AST at (800) 937-5449.

Beneficial Owners: Shares Registered in the Name of a Broker, Bank, or Other Nominee. If you were a beneficial owner of Mandiant stock at the close of business on the Record Date (i.e., you held your shares in “street name” through an intermediary, such as a bank, broker or other nominee), you must register in advance in order to attend the Annual Meeting. To register, obtain a “legal proxy” from the bank, broker or other

nominee that is the record holder of your shares. Then submit the legal proxy, along with your name and email address, to AST to receive an 11-digit control number that may be used to access the virtual Annual Meeting website provided above. Any control number that was previously provided with your proxy materials, likely a 16-digit number, will not provide access to the virtual Annual Meeting website. Requests for registration and submission of legal proxies should be labeled as “Legal Proxy” and must be received by AST no later than 5:00 p.m. Eastern Time on June 27, 2022. Submit your registration request and legal proxy by: (1) email to proxy@astfinancial.com; (2) facsimile to 718-765-8730, or (3) mail to American Stock Transfer & Trust Company, LLC, Attn: Proxy Tabulation Department, 6201 15th Avenue, Brooklyn, NY 11219. **Obtaining a legal proxy may take several days and you are advised to register as far in advance as possible.** Once you have obtained your 11-digit control number from AST, please follow the steps set forth above for stockholders of record to attend the Annual Meeting.

The virtual Annual Meeting website will be active one hour prior to the start of the Annual Meeting and stockholders are encouraged to log in to the virtual Annual Meeting website early. Only stockholders who have an 11-digit control number may attend and vote during the Annual Meeting. Stockholders experiencing technical difficulties accessing the Annual Meeting may visit <https://go.lumiglobal.com/faq> for assistance.

Why is this Annual Meeting being held virtually?

Our board of directors annually considers the appropriate format of our annual meeting of stockholders. As part of our effort to maintain a safe and healthy environment for our directors, members of management and stockholders who wish to attend the Annual Meeting, and in light of the COVID-19 pandemic, our board of directors believes that hosting a virtual meeting is in the Company’s and the stockholders’ best interests and enables increased stockholder attendance and participation. We believe that the virtual meeting format will provide stockholders a similar level of transparency to the traditional in-person meeting format and we will take steps to ensure such an experience.

How do I vote and what are the voting deadlines?

Stockholder of Record: Shares Registered in Your Name. If you are a stockholder of record, you can vote in one of the following ways:

- **You may vote via the Internet or by telephone.** To vote via the Internet or by telephone, follow the instructions provided in the Notice of Internet Availability of Proxy Materials. If you vote via the Internet or by telephone, you do not need to return a proxy card by mail. Internet and telephone voting are available 24 hours a day. Votes submitted through the Internet or by telephone must be received by 11:59 p.m. Eastern Time on July 6, 2022. Alternatively, you may request a printed proxy card by telephone at 888-Proxy-NA (888-776-9962) or 718-921-8562 (for international callers), over the Internet at <https://us.astfinancial.com/OnlineProxyVoting/ProxyVoting/RequestMaterials>, or by email at info@astfinancial.com.
- **You may vote by mail.** If you have received printed proxy materials by mail and would like to vote by mail, you need to complete, date and sign the proxy card that accompanies this proxy statement and promptly mail it to the tabulation agent in the enclosed postage-paid envelope so that it is received no later than July 6, 2022. You do not need to put a stamp on the enclosed envelope if you mail it from within the United States. The persons named in the proxy card will vote the shares you own in accordance with your instructions on the proxy card you mail. If you return the proxy card, but do not give any instructions on a particular matter to be voted on at the Annual Meeting, the persons named in the proxy card will vote the shares you own in accordance with the recommendations of our board of directors. Our board of directors recommends that you vote **FOR** the two nominees for election as Class III directors, **FOR** the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2022, **FOR** the approval, on an advisory basis, of named executive officer compensation, and for **1 YEAR** as the frequency of future advisory votes to approve named executive officer compensation.
- **You may vote at the Annual Meeting.** If you have not voted your shares in advance of the Annual Meeting, or if you wish to change your vote at the Annual Meeting, you will be able to vote your shares electronically during the Annual Meeting by clicking on the link on the virtual Annual Meeting website.

Whether or not you plan to attend the Annual Meeting, you are encouraged to vote your shares prior to the meeting by one of the methods described in the proxy materials for the meeting. If you have already voted, you do not need to vote again.

Beneficial Owners: Shares Registered in the Name of a Broker, Bank or Other Nominee. If you are the beneficial owner of shares held of record by a broker, bank or other nominee, you will receive voting instructions from your broker, bank or other nominee. You must follow the voting instructions provided by your broker, bank or other nominee in order to instruct your broker, bank or other nominee how to vote your shares. The availability of Internet and telephone voting options will depend on the voting process of your broker, bank or other nominee. **As discussed above, if you wish to attend the Annual Meeting and vote your shares during the Annual Meeting, you must follow the steps to attend the Annual Meeting and obtain an 11-digit control number from AST (please see “How do I attend the Annual Meeting?” above).**

Can I change my vote or revoke my proxy?

Stockholder of Record: Shares Registered in Your Name. If you are a stockholder of record, you may revoke your proxy or change your proxy instructions at any time before your proxy is voted at the Annual Meeting by:

- entering a new vote by Internet or telephone;
- signing and returning a new proxy card with a later date;
- delivering a written revocation to our Secretary at Mandiant, Inc., 11951 Freedom Drive, 6th Floor, Reston, VA 20190, by 11:59 p.m. Eastern Time on July 6, 2022; or
- attending the Annual Meeting and voting electronically.

Beneficial Owners: Shares Registered in the Name of a Broker, Bank or Other Nominee. If you are the beneficial owner of your shares, you must contact the broker, bank or other nominee holding your shares and follow their instructions to change your vote or revoke your proxy.

What is the effect of giving a proxy?

Proxies are solicited by and on behalf of our board of directors. The persons named in the proxy have been designated as proxy holders by our board of directors. When a proxy is properly dated, executed and returned, the shares represented by the proxy will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, however, the shares will be voted in accordance with the recommendations of our board of directors. If any matters not described in this proxy statement are properly presented at the Annual Meeting, the proxy holders will use their own judgment to determine how to vote your shares. If the Annual Meeting is postponed or adjourned, the proxy holders can vote your shares on the new meeting date, unless you have properly revoked your proxy, as described above.

What if I do not specify how my shares are to be voted?

Stockholder of Record: Shares Registered in Your Name. If you are a stockholder of record and you submit a proxy but you do not provide voting instructions, your shares will be voted:

- FOR the two nominees for election as Class III directors (Proposal No. 1);
- FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2022 (Proposal No. 2);
- FOR the approval, on an advisory basis, of named executive officer compensation (Proposal No. 3);
- For 1 YEAR as the frequency of future advisory votes to approve named executive officer compensation (Proposal No. 4); and
- In the discretion of the named proxy holders regarding any other matters properly presented for a vote at the Annual Meeting.

Beneficial Owners: Shares Registered in the Name of a Broker, Bank or Other Nominee. If you are a beneficial owner and you do not provide your broker, bank or other nominee that holds your shares with

voting instructions, then your broker, bank or other nominee will determine if it has discretion to vote on each matter. Brokers do not have discretion to vote on non-routine matters. Proposal No. 1 (election of directors), Proposal No. 3 (advisory vote to approve named executive officer compensation) and Proposal No. 4 (frequency of future advisory votes to approve named executive officer compensation) are non-routine matters, while Proposal No. 2 (ratification of appointment of independent registered public accounting firm) is a routine matter. As a result, if you do not provide voting instructions to your broker, bank or other nominee, then your broker, bank or other nominee may not vote your shares with respect to Proposal No. 1, Proposal No. 3 and Proposal No. 4, which would result in a “broker non-vote,” but your broker, bank or other nominee may, in its discretion, vote your shares with respect to Proposal No. 2. For additional information regarding broker non-votes, see “*What are the effects of abstentions and broker non-votes?*” below.

What is a quorum?

The presence at the Annual Meeting (in person via attendance at the Annual Meeting or by proxy) of the holders of a majority of the voting power of our common stock and convertible preferred stock outstanding on the Record Date will constitute a quorum. A quorum is required for the Annual Meeting to be properly held under our bylaws and Delaware law. If there is no quorum, the holders of a majority of the voting power of the shares of our common stock and convertible preferred stock present at the Annual Meeting (in person via attendance at the Annual Meeting or by proxy) may adjourn the meeting to a later date or time.

What are the effects of abstentions and broker non-votes?

An abstention represents a stockholder’s affirmative choice to decline to vote on a proposal. If a stockholder indicates on its proxy card that it wishes to abstain from voting its shares, or if a broker, bank or other nominee holding its customers’ shares of record causes abstentions to be recorded for shares, these shares will be considered present and entitled to vote at the Annual Meeting. As a result, abstentions will be counted for purposes of determining the presence or absence of a quorum and will also count as votes against a proposal in cases where approval of the proposal requires the affirmative vote of a majority of the shares present and entitled to vote at the Annual Meeting (e.g., Proposal No. 2 and Proposal No. 3). However, because the outcome of Proposal No. 1 (election of directors) will be determined by the affirmative vote of shares representing a majority of the votes cast for each Class III director nominee, and Proposal No. 4 (frequency of future advisory votes to approve named executive officer compensation) will be determined by a plurality vote, abstentions will have no impact on the outcome of such proposal as long as a quorum exists given abstentions are not considered as votes cast.

A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker, bank or other nominee does not have discretionary voting power with respect to such proposal and has not received voting instructions from the beneficial owner of the shares. Broker non-votes will be counted for purposes of calculating whether a quorum is present at the Annual Meeting but will not be counted for purposes of determining the number of votes cast. Therefore, a broker non-vote will make a quorum more readily attainable but will not otherwise affect the outcome of the vote on any proposal.

How many votes are needed for approval of each proposal?

- *Proposal No. 1:* To be elected, each Class III director nominee must receive the affirmative vote of shares representing a majority of the votes cast, meaning the number of votes “FOR” that nominee must exceed the number of votes “AGAINST” that nominee. You may vote FOR, AGAINST or ABSTAIN with respect to each nominee. If you ABSTAIN from voting on the election of any nominee, the abstention will have no effect on the election of that nominee.
- *Proposal No. 2:* The ratification of the appointment of Deloitte & Touche LLP requires an affirmative vote of a majority of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote thereon to be approved. You may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN from voting on Proposal No. 2, the abstention will have the same effect as a vote AGAINST the proposal.
- *Proposal No. 3:* The approval, on an advisory basis, of named executive officer compensation requires an affirmative vote of a majority of the shares of our common stock present in person or by proxy at

the Annual Meeting and entitled to vote thereon to be approved. You may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN from voting on Proposal No. 3, the abstention will have the same effect as a vote AGAINST the proposal.

- *Proposal No. 4:* The frequency of future advisory votes to approve named executive officer compensation selected by stockholders requires a plurality vote of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote thereon to be approved. This means that the frequency (1 year, 2 years or 3 years) that receives the highest number of votes will be considered as the frequency selected by our stockholders. You may vote 1 YEAR, 2 YEARS, 3 YEARS or ABSTAIN. If you ABSTAIN from voting on Proposal No. 4, the abstention will have no effect on the outcome of the proposal.

What happens if a director nominee who is duly nominated does not receive a majority vote?

Our board of directors only nominates for election candidates who have tendered, in advance of such nomination, an irrevocable, conditional resignation that will be effective only upon both (i) the failure to receive the required vote at the next stockholders' meeting at which they face reelection and (ii) our board of directors' acceptance of such resignation. In an uncontested election, our board of directors, after taking into consideration the recommendation of our nominating and corporate governance committee, will determine whether or not to accept the pre-tendered resignation of any nominee for director who receives a greater number of votes "AGAINST" such nominee's election than votes "FOR" such nominee's election. In the event of a contested election, the director nominee who receives the largest number of votes cast "FOR" his or her election will be elected as director.

How are proxies solicited for the Annual Meeting and who is paying for such solicitation?

Our board of directors is soliciting proxies for use at the Annual Meeting by means of the proxy materials. We will bear the entire cost of proxy solicitation, including the preparation, assembly, printing, mailing and distribution of the proxy materials. Copies of solicitation materials will also be made available upon request to brokers, banks and other nominees to forward to the beneficial owners of the shares held of record by such brokers, banks or other nominees. The original solicitation of proxies may be supplemented by solicitation by telephone, electronic communication, or other means by our directors, officers and employees. No additional compensation will be paid to these individuals for any such services, although we may reimburse such individuals for their reasonable out-of-pocket expenses in connection with such solicitation. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners. We have retained MacKenzie Partners, Inc., a professional proxy solicitation firm, to assist in the solicitation of proxies, and provide related advice and informational support during the solicitation process, for a fee of \$10,000 plus reasonable out-of-pocket expenses.

If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur.

Why did I receive a Notice of Internet Availability of Proxy Materials instead of a full set of proxy materials?

In accordance with the rules of the SEC, we have elected to furnish our proxy materials, including this proxy statement and our annual report, primarily via the Internet. Stockholders may request to receive proxy materials in printed form by mail or electronically by e-mail by following the instructions contained in the Notice. We encourage stockholders to take advantage of the availability of our proxy materials on the Internet to help reduce the environmental impact of our annual meetings of stockholders.

What does it mean if I received more than one Notice?

If you receive more than one Notice, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions on each Notice to ensure that all of your shares are voted.

Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Mandiant or to third

parties, except as necessary to meet applicable legal requirements, to allow for the tabulation of votes and certification of the vote, or to facilitate a successful proxy solicitation.

Will members of the board of directors attend the Annual Meeting?

We encourage, but do not require, our board members to attend the Annual Meeting.

Will I be able to ask questions at the Annual Meeting?

Stockholders who attend the Annual Meeting will have an opportunity to submit questions electronically during the question and answer period after the conclusion of the formal business of the meeting. Questions that are substantially similar may be grouped and answered together to avoid repetition.

Will the list of stockholders of record be available for inspection?

Access to the list of stockholders of record entitled to vote at the virtual Annual Meeting for any purpose germane to the virtual Annual Meeting will be available for inspection, during the 10-day period immediately prior to the date of the virtual Annual Meeting, by any stockholder of record upon request by emailing Investor.Relations@Mandiant.com with “Annual Meeting Stockholder List” in the subject line. Stockholders submitting any such request must include their 11-digit control number referred to above. In addition, during the Annual Meeting, the list of stockholders will be available at <https://web.lumiagm.com/287951276> to stockholders who attend the virtual Annual Meeting.

I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

We have adopted an SEC-approved procedure called “householding,” under which we can deliver a single copy of the proxy materials and annual report to multiple stockholders who share the same address unless we received contrary instructions from one or more of the stockholders. This procedure reduces our printing and mailing costs. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, we will promptly deliver a separate copy of the proxy materials and annual report to any stockholder at a shared address to which we delivered a single copy of any of these documents. To receive a separate copy, or, if you are receiving multiple copies, to request that we only send a single copy of next year’s proxy materials and annual report, you may contact us as follows:

Mandiant, Inc.
Attention: Secretary
11951 Freedom Drive, 6th Floor
Reston, VA 20190
(703) 935-1700

Stockholders who hold shares in street name may contact their brokerage firm, bank, broker-dealer or other nominee to request information about householding.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the Annual Meeting. If final voting results are not available to us at that time, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an amendment to the Form 8-K to publish the final results.

What is the deadline to propose actions for consideration at next year’s annual meeting of stockholders or to nominate individuals to serve as directors?

Stockholder Proposals

Stockholders may present proper proposals for inclusion in our proxy statement and for consideration at the next annual meeting of stockholders by submitting their proposals in writing to our Secretary in a timely

manner. For a stockholder proposal to be considered for inclusion in our proxy statement for our 2023 annual meeting of stockholders, our Secretary must receive the written proposal at our principal executive offices not later than January 27, 2023. In addition, stockholder proposals must comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Stockholder proposals should be addressed to:

Mandiant, Inc.
Attention: Secretary
11951 Freedom Drive, 6th Floor
Reston, VA 20190

Our bylaws also establish an advance notice procedure for stockholders who wish to present a proposal before an annual meeting of stockholders but do not intend for the proposal to be included in our proxy statement. Our bylaws provide that the only business that may be conducted at an annual meeting is business that is (i) specified in our proxy materials with respect to such meeting, (ii) otherwise properly brought before the annual meeting by or at the direction of our board of directors, or (iii) properly brought before the annual meeting by a stockholder of record entitled to vote at the annual meeting who has delivered timely written notice to our Secretary, which notice must contain the information specified in our bylaws. To be timely for our 2023 annual meeting of stockholders, our Secretary must receive the written notice at our principal executive offices:

- not earlier than March 13, 2023; and
- not later than April 12, 2023.

In addition, to comply with newly-enacted Rule 14a-19 of the Exchange Act, stockholders must provide notice of the intent to solicit proxies in support of director nominees (other than our nominees) for the 2023 annual meeting by notifying our Secretary no later than May 8, 2023. Please note that the notice requirement under Rule 14a-19 is in addition to the applicable notice requirements under the advance notice provisions of our amended and restated bylaws as described above.

In the event that we hold our 2023 annual meeting of stockholders more than 30 days before or more than 60 days after the first anniversary of the date of this Annual Meeting, then notice of a stockholder proposal that is not intended to be included in our proxy statement must be received no earlier than the close of business on the 120th day before such annual meeting and no later than the close of business on the later of the following two dates:

- the 90th day prior to such annual meeting; or
- the 10th day following the day on which public announcement of the date of such annual meeting is first made.

If a stockholder who has notified us of his, her or its intention to present a proposal at an annual meeting does not appear to present his, her or its proposal at such annual meeting, we are not required to present the proposal for a vote at such annual meeting.

Nomination of Director Candidates

You may propose director candidates for consideration by our nominating and corporate governance committee. Any such recommendations should include the nominee’s name and qualifications for membership on our board of directors and should be directed to our Secretary at the address set forth above. For additional information regarding stockholder recommendations for director candidates, see the section titled “Board of Directors and Corporate Governance — Stockholder Recommendations for Nominations to the Board of Directors.”

In addition, our bylaws permit stockholders to nominate directors for election at an annual meeting of stockholders. To nominate a director, the stockholder must provide the information required by our bylaws. In addition, the stockholder must give timely notice to our Secretary in accordance with our bylaws, which, in

general, require that the notice be received by our Secretary within the time period described above under “Stockholder Proposals” for stockholder proposals that are not intended to be included in a proxy statement.

Availability of Bylaws

A copy of our bylaws may be obtained by accessing our public filings on the SEC’s website at www.sec.gov. You may also contact our Secretary at our principal executive office for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Our business affairs are managed under the direction of our board of directors, which is currently composed of nine members. Eight of our directors are independent within the meaning of the independent director requirements of The NASDAQ Stock Market. Our board of directors is divided into three classes with staggered three-year terms. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the same class whose term is then expiring. In addition, pursuant to our bylaws, at any time before, on or after the day of the Annual Meeting, our board of directors may increase the authorized number of directors and fill the vacancy or vacancies created thereby with one or more new directors.

On December 11, 2020, we issued an aggregate of 370,000 shares of our convertible preferred stock at \$1,000 per share, for an aggregate purchase price of \$370 million, to an investment vehicle of funds affiliated with The Blackstone Group Inc. (collectively, “Blackstone”), pursuant to a Securities Purchase Agreement between us and Blackstone, dated November 18, 2020 (as amended, the “Blackstone Agreement”) and an aggregate of 30,000 shares of our convertible preferred stock at \$1,000 per share, for an aggregate purchase price of \$30 million, to ClearSky Security Fund I LLC and ClearSky Power & Technology Fund II LLC (collectively, “ClearSky”), pursuant to a Securities Purchase Agreement between us and ClearSky, dated November 18, 2020 (as amended, the “ClearSky Agreement”). Pursuant to the Blackstone Agreement, Blackstone has the right to nominate for election one member to our board of directors (the “Series A Director”), for so long as Blackstone holds 65% in the aggregate of our convertible preferred stock issued to Blackstone pursuant to the Blackstone Agreement. Viral Patel was designated by Blackstone as the Series A Director in accordance with the terms of the Blackstone Agreement. Pursuant to the ClearSky Agreement, ClearSky has the right to designate one non-voting observer to our board of directors, for so long as ClearSky holds 65% in the aggregate of our convertible preferred stock issued to ClearSky pursuant to the ClearSky Agreement.

There are three Class III directors whose current term of office expires at the Annual Meeting: Kevin R. Mandia, Enrique Salem, and Ronald E. F. Codd. On April 20, 2022, Mr. Codd notified us of his decision to not stand for re-election at the Annual Meeting and, accordingly, the authorized number of directors will be reduced effective as of the Annual Meeting to eliminate any vacancy on our board of directors resulting from the expiration of his term.

Our board of directors has nominated Messrs. Mandia and Salem for re-election at the Annual Meeting to serve as Class III directors until the 2025 annual meeting of stockholders and until their successors are elected and qualified.

The following table sets forth the names, ages as of April 6, 2022, and certain other information for the directors whose term expires at the Annual Meeting and for each of the directors whose terms do not expire at the Annual Meeting:

Name	Class	Age	Position(s)	Director Since	Current Term Expires	Expiration of Term For Which Nominated
1. Directors Whose Terms Expire at the Annual Meeting						
Ronald E. F. Codd ⁽¹⁾⁽²⁾⁽³⁾⁽⁶⁾	III	66	Director	2012	2022	—
Kevin R. Mandia ⁽⁴⁾⁽⁵⁾	III	51	Chief Executive Officer and Director	2016	2022	2025
Enrique Salem ⁽¹⁾⁽⁵⁾	III	56	Chairman of the Board	2013	2022	2025
2. Directors Whose Terms Do Not Expire at the Annual Meeting						
Sara C. Andrews ⁽¹⁾⁽²⁾	II	58	Director	2020	2024	—
Adrian McDermott ⁽¹⁾	II	53	Director	2019	2024	—
Robert E. Switz ⁽²⁾⁽³⁾	II	75	Director	2017	2024	—

Name	Class	Age	Position(s)	Director Since	Current Term Expires	Expiration of Term For Which Nominated
Kimberly Alexy ⁽²⁾⁽³⁾	I	51	Director	2015	2023	—
Arthur W. Coviello, Jr. ⁽⁴⁾	I	68	Director	2020	2023	—
Viral Patel ⁽⁴⁾	I	42	Director	2020	2023	—

- (1) Member of our compensation committee
(2) Member of our nominating and corporate governance committee
(3) Member of our audit committee
(4) Member of our special committee
(5) Member of our government classified information and security committee
(6) Mr. Codd will not stand for re-election when his current term expires at the Annual Meeting

Nominees for Director

Kevin R. Mandia has served as our Chief Executive Officer since June 2016 and as a member of our board of directors since February 2016. He previously served as our President from February 2015 to June 2016 and as our Senior Vice President and Chief Operating Officer from the date of Mandiant's acquisition of Mandiant Corporation, in December 2013 through February 2015. Prior to joining Mandiant Corporation, Mr. Mandia was the Chief Executive Officer of Mandiant Corporation and had served in that capacity since he founded Mandiant Corporation in 2004. Prior to forming Mandiant Corporation, Mr. Mandia served as the Director of Computer Forensics at Foundstone (later acquired by McAfee Corporation) from 2000 to 2003 and as the Director of Information Security for Sytex (later acquired by Lockheed Martin) from 1998 to 2000. From 1993 to 2000, Mr. Mandia was an officer in the United States Air Force, where he served in various capacities, including as a computer security officer in the 7th Communications Group at the Pentagon, and later as a special agent in the Air Force Office of Special Investigations (AFOSI). Mr. Mandia holds a B.S. in Computer Science from Lafayette College and an M.S. in Forensic Science from The George Washington University. Mr. Mandia has served as a member of the Cybersecurity Advisory Committee for the Cybersecurity and Infrastructure Security Agency since December 2021. In 2011, Mr. Mandia was named Ernst & Young Entrepreneur of the Year for the Greater Washington area. He completed the Harvard Business School's Owner/President Management Program in February 2013. Mr. Mandia has taught graduate level courses at Carnegie Mellon University and The George Washington University and has co-authored two books on responding to security breaches: Incident Response: Performing Computer Forensics (McGraw-Hill, 2003) and Incident Response: Investigating Computer Crime (McGraw-Hill, 2001). Our board of directors believes that Mr. Mandia possesses specific attributes that qualify him to serve as a director, including the perspective and experience he brings as our Chief Executive Officer and his extensive senior management expertise in the network security industry.

Enrique Salem has served as a member of our board of directors since February 2013 and as our Chairman of the Board since March 2017. Mr. Salem previously served as our Lead Independent Director from February 2016 to March 2017. He has been a managing director of Bain Capital Ventures, a venture capital firm, since July 2014. Mr. Salem was president, Chief Executive Officer and a director of Symantec Corporation, a provider of information security, storage and systems management solutions, from April 2009 until July 2012. Mr. Salem was Chief Operating Officer of Symantec Corporation from January 2008 to April 2009, group President, Worldwide Sales and Marketing from April 2007 to January 2008, group President, Consumer Products from May 2006 to April 2007, Senior Vice President, Consumer Products and Solutions from February 2006 to May 2006, Senior Vice President, Security Products and Solutions from January 2006 to February 2006, and Senior Vice President, Network and Gateway Security Solutions from June 2004 to February 2006. Prior to Symantec, from April 2002 to June 2004, Mr. Salem served as President and Chief Executive Officer of Brightmail, Inc., an email filtering company, prior to its acquisition by Symantec in 2004. Mr. Salem also held senior leadership roles at Oblix Inc., Ask Jeeves Inc., Peter Norton Computing, Inc. and Security Pacific Merchant Bank. In March 2011, he was appointed to President Barack Obama's Management Advisory Board. Mr. Salem has served on the board of directors of Atlassian Corporation Plc since July 2013 and the board of directors of DocuSign, Inc. since August 2013. He previously served on the board of directors of ForeScout Technologies, Inc. from September 2013 to August 2020, the

board of directors of Automatic Data Processing, Inc. from January 2010 to November 2013 and the board of directors of Symantec Corporation from April 2009 to July 2012. Mr. Salem also currently serves on the board of directors of multiple private companies. He received the Estrella Award from the Hispanic IT Executive Council in 2010 and was named Entrepreneur of the Year in 2004 by Ernst & Young. Mr. Salem holds an A.B. in Computer Science from Dartmouth College. Our board of directors believes that Mr. Salem possesses specific attributes that qualify him to serve as a director, including his extensive leadership experience, including oversight of global operations, as well as a strong background in information technology, data security, compliance and systems management.

Other Directors

Sara C. Andrews has served as a member of our board of directors since August 2020. Ms. Andrews has served as Global Chief Information Security Officer at Experian since April 2021. Prior to joining Experian, Ms. Andrews served as Senior Vice President and Chief Information Security Officer at PepsiCo, Inc. from July 2014 to March 2022. Previously, Ms. Andrews served as Chief Network Security Officer of Verizon Communications, Inc. from June 1997 to July 2014. Ms. Andrews has served on the board of directors of Marvell Technology, Inc. since April 2022. She previously served on the board of directors of LogMeIn, Inc. from April 2018 to August 2021. Ms. Andrews holds a B.I.E. from Auburn University and an M.B.A. from Brenau University. Our board of directors believes that Ms. Andrews possesses specific attributes that qualify her to serve as a director, including her extensive knowledge and expertise regarding technology, cybersecurity and risk management.

Adrian McDermott has served as a member of our board of directors since February 2019. Mr. McDermott has served as the Chief Technology Officer of Zendesk, Inc. since April 2021. He previously served as the President of Products of Zendesk, Inc. from October 2016 to April 2021 and Senior Vice President, Product Development of Zendesk, Inc. from July 2010 to October 2016. Mr. McDermott holds a B.Sc. in computer science from De Montfort University. Our board of directors believes that Mr. McDermott possesses specific attributes that qualify him to serve as a director, including his extensive product management, engineering and general business experience in technology markets as well as his expertise developed as a senior executive at a large public company in the technology industry.

Robert E. Switz has served as a member of our board of directors since September 2017. Mr. Switz served as the President and Chief Executive Officer of ADC Telecommunications, Inc. (“ADC”), a supplier of network infrastructure products and services, from August 2003 until December 2010, when Tyco Electronics Ltd. (now TE Connectivity Ltd.) acquired ADC. Mr. Switz served as Chairman of the Board of Directors of ADC from June 2008 to December 2010 and served on the board of directors of ADC from August 2003 until December 2010. From 1994 until August 2003, he served in various positions at ADC, including as Chief Financial Officer. Prior to ADC, he served in various positions at Burr-Brown Corporation, a multi-national manufacturer of precision micro-electronics and systems products, including as Chief Financial Officer, Vice President of European Operations, Ventures and Finance, and Director of the Ventures and Systems Business. Mr. Switz has served on the board of directors of Micron Technology, Inc. since February 2006, and the board of directors of Marvell Technology Group Ltd. since May 2016. He previously served on the board of directors of Broadcom Corporation from May 2003 to February 2016, the board of directors of Cyan, Inc. from March 2011 to August 2015, the board of directors of GT Advanced Technologies Inc. from May 2011 to March 2016, the board of directors of Leap Wireless International, Inc. from July 2011 to March 2014, the board of directors of Pulse Electronics Corporation from June 2014 to April 2015, and the board of directors of Gigamon, Inc. from June 2015 to December 2017. Mr. Switz holds a B.S. in Business Administration from Quinnipiac University and an M.B.A. from the University of Bridgeport. Our board of directors believes that Mr. Switz possesses specific attributes that qualify him to serve as a director, including his extensive global operations, financial and general management experience and expertise developed as a senior executive at large public companies operating in the technology industry as well as his considerable directorial and governance experience developed through his service on several public company boards.

Kimberly Alexy has served as a member of our board of directors since January 2015. Ms. Alexy has served as the Principal of Alexy Capital Management, a private investment management firm that she founded, since June 2005. Ms. Alexy has served on the board of directors of Five9, Inc. since October 2013 and the board of directors of Western Digital Corporation since November 2018. She previously served on the board

of directors of CalAmp Corp. from May 2008 to July 2019, the board of directors of SMART Modular Technologies (WWH), Inc. from September 2009 to August 2011, the board of directors of SouthWest Water Company from August 2009 to September 2010, the board of directors of Dot Hill Systems Corp. from December 2005 to May 2010, the board of directors of Maxtor Corporation from June 2005 to May 2006, the board of directors of Microsemi Corporation from September 2016 to May 2018, and the board of directors of Alteryx, Inc. from February 2017 to November 2021. From 2012 to 2014, Ms. Alexy served as an Adjunct Lecturer at San Diego State University in the Graduate School of Business. From 1998 to 2003, she served as Senior Vice President and Managing Director of Equity Research for Prudential Securities, where she served as principal technology hardware analyst for the firm. Prior to joining Prudential, Ms. Alexy served as Vice President of Equity Research at Lehman Brothers, where she covered the computer hardware sector, and Assistant Vice President of Corporate Finance at Wachovia Bank. Ms. Alexy is a Chartered Financial Analyst (CFA), and holds a B.A. from Emory University and an M.B.A. with a concentration in Finance and Accounting from the College of William and Mary. Our board of directors believes that Ms. Alexy possesses specific attributes that qualify her to serve as a director, including her accounting expertise, extensive experience on public company boards and her experience in the financial services industry as an investment professional.

Ronald E. F. Codd has served as a member of our board of directors since July 2012. Mr. Codd has been an independent business consultant since April 2002. From January 1999 to April 2002, Mr. Codd served as President, Chief Executive Officer and a director of Momentum Business Applications, Inc., an enterprise software company. From September 1991 to December 1998, Mr. Codd served as Senior Vice President of Finance and Administration and Chief Financial Officer of PeopleSoft, Inc., a provider of human resource management systems. Mr. Codd has served on the board of directors of Veeva Systems Inc. since February 2012. Mr. Codd previously served on the board of directors of ServiceNow, Inc. from February 2012 to June 2019, the board of directors of Rocket Fuel Inc. from February 2012 to September 2017, and the boards of directors of numerous other technology companies, including most recently DemandTec, Inc., Interwoven, Inc. and Data Domain, Inc. Mr. Codd holds a B.S. in Accounting from the University of California, Berkeley and an M.M. in Finance and M.I.S. from the Kellogg Graduate School of Management at Northwestern University. Our board of directors believes that Mr. Codd possesses specific attributes that qualify him to serve as a director, including his extensive management and software industry experience, and his experience in finance. Mr. Codd is not standing for re-election at the Annual Meeting and, accordingly, it is anticipated that his service on our board of directors will be completed on July 7, 2022.

Arthur W. Coviello, Jr. has served as a member of our board of directors since December 2020. Mr. Coviello has served as a venture partner at Rally Ventures since May 2015 and as Investment Committee Chairman at SYN Ventures since June 2021. Previously, Mr. Coviello served as executive vice president at EMC Corporation, a data storage and information management company, from February 2011 to February 2015, and as executive vice president and president of RSA, the security division of EMC Corporation, from September 2006 to January 2011. Mr. Coviello served as chief executive officer and a member of the board of directors of RSA Security, Inc., a network security company, from January 2000 until its acquisition by EMC Corporation in September 2006, as its president from March 1999 until its acquisition and as its acting chief financial officer from December 2005 to May 2006. Mr. Coviello has served on the board of directors of Synchrony Financial since November 2015, the board of directors of Tenable Holdings, Inc. since February 2018 and the board of directors of Epiphany Technology Acquisition Corp. since October 2020. Mr. Coviello previously served on the board of directors of EnerNOC, Inc. from June 2008 to August 2017 and the board of directors of Gigamon Inc. from April 2017 to December 2017. Mr. Coviello holds a B.B.A. in Accounting from the University of Massachusetts. Our board of directors believes that Mr. Coviello possesses specific attributes that qualify him to serve as a director, including his extensive leadership experience, including as chief executive officer of a publicly-traded company, his extensive financial expertise and accounting background and his considerable experience in technology and cybersecurity.

Viral Patel is a Blackstone director designee and has served as a member of our board of directors since December 2020. Mr. Patel has served as a Senior Managing Director in the Tactical Opportunities Group at The Blackstone Group, Inc. since April 2015. Prior to joining the Tactical Opportunities Group of Blackstone in 2012, Mr. Patel was a Managing Director with Blackstone Securities Partners. Before joining Blackstone, Mr. Patel was a member of the Credit Suisse and Donaldson, Lufkin & Jenrette Structured Products businesses. Mr. Patel holds a B.S. from Cornell University. Our board of directors believes that Mr. Patel

possesses specific attributes that qualify him to serve as a director, including his significant knowledge and expertise in finance, business, and strategic investments and his extensive knowledge regarding our operations from leading the day-to-day management of Blackstone's investment in our company.

Director Independence

Our common stock is listed on The NASDAQ Global Select Market. Under the rules of The NASDAQ Stock Market, independent directors must comprise a majority of a listed company's board of directors. In addition, the rules of The NASDAQ Stock Market require that, subject to specified exceptions, each member of a listed company's audit, compensation, and nominating and corporate governance committees be independent. Under the rules of The NASDAQ Stock Market, a director will only qualify as an "independent director" if, in the opinion of the listed company's board of directors, the director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act and the listing requirements of The NASDAQ Stock Market. In addition, compensation committee members must satisfy the independence criteria set forth in Rule 10C-1 under the Exchange Act and the listing requirements of The NASDAQ Stock Market.

Our board of directors has undertaken a review of the independence of each director and considered whether such director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. As a result of this review, our board of directors has determined that Mses. Alexy and Andrews and Messrs. Codd, Coviello, McDermott, Patel, Salem and Switz are "independent directors" as defined under the applicable rules and regulations of the SEC and the listing requirements and rules of The NASDAQ Stock Market.

Board Leadership Structure

Our board of directors does not view any particular leadership structure as preferred and routinely reviews and considers the appropriate leadership structure. This consideration includes the pros and cons of alternative leadership structures in light of our operating and governance environment at the time, with the goal of achieving the optimal model for board leadership and effective oversight of management by our board of directors.

Our board of directors consists of nine directors. Our only management director is Mr. Mandia, our Chief Executive Officer. Enrique Salem, an independent director, holds the role of Chairman of the Board. Our board of directors believes this structure benefits the board of directors and us by enabling our Chief Executive Officer to focus on operational and strategic matters while enabling the Chairman of the Board to focus on board and governance matters.

In addition, each committee of our board of directors has a designated chairperson and, other than our government classified information and security committee, is comprised solely of independent directors.

Board Meetings and Committees

During 2021, our board of directors held 14 meetings (including regularly scheduled and special meetings), and each director attended at least 75% of the aggregate of (i) the total number of meetings of our board of directors held during the period for which he or she served as a director and (ii) the total number of meetings held by all committees of our board of directors on which he or she served during the periods for which he or she served.

It is the policy of our board of directors to regularly have separate meeting times for independent directors without management.

Although we do not have a formal policy regarding attendance by members of our board of directors at annual meetings of stockholders, we encourage, but do not require, our directors to attend. Eight of the nine directors who served on the date of our 2021 annual meeting of stockholders attended the meeting.

Our board of directors has five standing committees: an audit committee, a compensation committee, a nominating and corporate governance committee, a special committee, and a government classified

information and security committee. The composition and responsibilities of each of the committees of our board of directors are described below. Members will serve on these committees until their resignation or until otherwise determined by our board of directors.

Audit Committee

Our audit committee is comprised of Kimberly Alexy, Ronald E. F. Codd and Robert E. Switz, each of whom is a non-employee member of our board of directors. Ms. Alexy is the chair of our audit committee. Mr. Codd will remain a member of our audit committee until the Annual Meeting. Our board of directors has appointed Ms. Andrews to our audit committee, effective as of the date of the Annual Meeting. Our board of directors has determined that each of the members of our audit committee satisfies the requirements for independence and financial literacy under the rules and regulations of the SEC, including Rule 10A-3 under the Exchange Act, and the listing requirements of The NASDAQ Stock Market. Our board of directors has also determined that each of Ms. Alexy and Messrs. Codd and Switz qualify as an “audit committee financial expert” as defined in the SEC rules and satisfy the financial sophistication requirements of The NASDAQ Stock Market. This designation does not impose on Ms. Alexy and Messrs. Codd and Switz any duties, obligations or liabilities that are greater than those generally imposed on members of our audit committee and our board of directors. Our audit committee is responsible for, among other things:

- selecting and hiring our independent registered public accounting firm;
- evaluating the performance and independence of our independent registered public accounting firm;
- pre-approving any audit and non-audit services to be performed by our independent registered public accounting firm;
- reviewing the adequacy and effectiveness of our internal control policies and procedures and our disclosure controls and procedures;
- overseeing procedures for the treatment of complaints on accounting, internal accounting controls or audit matters;
- reviewing and discussing with management and the independent registered public accounting firm the results of our annual audit, our quarterly financial statements and our publicly filed reports;
- reviewing significant risk exposures and our processes around the management and monitoring of such risks, including but not limited to reviewing our programs, policies, practices and safeguards for information technology, cybersecurity and data security and reviewing periodic updates on such matters by our chief security officer;
- reviewing and approving related person transactions; and
- preparing the audit committee report that the SEC requires in our annual proxy statements.

Our audit committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the listing requirements of The NASDAQ Stock Market. A copy of the charter of our audit committee is available on our website at www.Mandiant.com in the Governance section of our Investor Relations webpage. During 2021, our audit committee held 10 meetings.

Compensation Committee

Our compensation committee is comprised of Sara C. Andrews, Ronald E. F. Codd, Adrian McDermott and Enrique Salem, each of whom is a non-employee member of our board of directors. Mr. Salem is the chair of our compensation committee. Mr. Codd will remain a member of our compensation committee until the Annual Meeting. Our board of directors has determined that each member of our compensation committee meets the requirements for independence under the rules and regulations of the SEC, including Rule 10C-1 under the Exchange Act, and the listing requirements of The NASDAQ Stock Market, and is a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act. Our compensation committee is responsible for, among other things:

- reviewing and approving our Chief Executive Officer’s and other executive officers’ annual base salaries; incentive compensation plans, including the specific goals and amounts; equity compensation,

employment agreements, severance arrangements and change in control agreements; and any other executive officer benefits, compensation or arrangements; provided that any approvals relating to our Chief Executive Officer's compensation will be subject to the ratification of our entire board of directors, with any non-independent directors not voting;

- administering our equity compensation plans; and
- overseeing our overall compensation philosophy, compensation plans and benefits programs.

Our compensation committee may form subcommittees and may delegate to such subcommittees such power and authority as our compensation committee deems appropriate. Our compensation committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the listing requirements of The NASDAQ Stock Market. A copy of the charter of our compensation committee is available on our website at www.Mandiant.com in the Governance section of our Investor Relations webpage. During 2021, our compensation committee held six meetings.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee is comprised of Kimberly Alexy, Sara C. Andrews, Ronald E. F. Codd and Robert E. Switz, each of whom is a non-employee member of our board of directors. Mr. Codd is the chair of our nominating and corporate governance committee. Mr. Codd will remain a member and the chair of our nominating and corporate governance committee until the Annual Meeting. Our board of directors has appointed Mr. Switz as the chair of our nominating and corporate governance committee, effective as of the date of the Annual Meeting. Our board of directors has determined that each member of our nominating and corporate governance committee meets the requirements for independence under the listing requirements of The NASDAQ Stock Market. Our nominating and corporate governance committee is responsible for, among other things:

- evaluating and making recommendations regarding the composition, organization, and governance of our board of directors and its committees;
- evaluating and making recommendations regarding the creation of additional committees or the change in mandate or dissolution of committees;
- reviewing and making recommendations regarding our corporate governance guidelines and compliance with laws and regulations;
- reviewing and approving conflicts of interest of our directors and corporate officers, other than related person transactions reviewed by the audit committee; and
- reviewing and making recommendations regarding our environmental, social and governance (ESG) programs, policies and practices.

Our nominating and corporate governance committee operates under a written charter that satisfies the listing standards of The NASDAQ Stock Market. A copy of the charter of our nominating and corporate governance committee is available on our website at www.Mandiant.com in the Governance section of our Investor Relations webpage. During 2021, our nominating and corporate governance committee held five meetings.

Special Committee

Our special committee was formed by our board of directors on December 11, 2020 in accordance with the provisions of the Blackstone Agreement and the ClearSky Agreement which requires our special committee to consist of three directors, one of whom shall always be either at the election of Blackstone, the Series A Director or another director acceptable to Blackstone. Our special committee is comprised of Arthur W. Coviello, Jr., Kevin Mandia and Viral Patel, who is the Series A Director. Mr. Patel is the chair of our special committee. Our special committee oversees transformational initiatives and evaluates strategic alternatives and reports all deliberations and non-binding recommendations to our board of directors. During 2021, our special committee held nine meetings.

Government Classified Information and Security Committee

Our government classified information and security committee is comprised of Kevin R. Mandia and Enrique Salem. Mr. Mandia is the chair of our government classified information and security committee. Our government classified information and security committee is responsible for, among other things:

- reviewing and making recommendations to our board of directors on matters concerning the Company that involve or relate to (i) information or activities that have been classified for purposes of national security by an agency or instrumentality of the government and (ii) the security of the Company's personnel, data and facilities; and
- assisting our board of directors in fulfilling its oversight responsibilities relating to such matters.

Our government classified information and security committee operates under a written charter. During 2021, our government classified information and security committee did not hold any meetings.

Compensation Committee Interlocks and Insider Participation

During 2021, Sara C. Andrews, Ronald E. F. Codd, Adrian McDermott and Enrique Salem served as members of our compensation committee. None of the members of our compensation committee is or has been an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee, or other board committee performing equivalent functions, of any entity that has one or more executive officers serving on our compensation committee or our board of directors. We have had a compensation committee since November 2012. Prior to establishing the compensation committee, our full board of directors made decisions relating to the compensation of our executive officers.

Considerations in Evaluating Director Nominees

Except with respect to the Series A Director designated by Blackstone pursuant to the Blackstone Agreement, as described above, our nominating and corporate governance committee uses a variety of methods for identifying and evaluating director nominees. In its evaluation of director candidates, our nominating and corporate governance committee will consider the composition of our board of directors, including, without limitation, issues of character, integrity, judgment, diversity, age, independence, expertise, length of service, understanding of our business and other commitments. Members of our board of directors are expected to prepare for, attend, and participate in all board of director and applicable committee meetings. Our nominating and corporate governance committee requires the following minimum qualifications to be satisfied by any nominee for a position on the board of directors: (i) the highest personal and professional ethics and integrity, (ii) proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, (iii) skills that are complementary to those of the existing board of directors, (iv) the ability to assist and support management and make significant contributions to our success, and (v) an understanding of the fiduciary responsibilities that are required of a member of the board of directors and the commitment of time and energy necessary to diligently carry out those responsibilities. Other than the foregoing, there are no other stated minimum criteria for director nominees, although our nominating and corporate governance committee may also consider such other factors as it may deem, from time to time, are in our and our stockholders' best interests.

Although our board of directors does not maintain a specific policy with respect to board diversity, our board of directors believes that our board of directors should be a diverse body, and our nominating and corporate governance committee considers a broad range of backgrounds and experiences. In making determinations regarding nominations of directors, our nominating and corporate governance committee may take into account the benefits of diverse viewpoints. Our nominating and corporate governance committee also considers these and other factors as it oversees periodic board of director and committee evaluations. After completing its review and evaluation of director candidates, our nominating and corporate governance committee recommends to our full board of directors the director nominees for selection.

Stockholder Recommendations for Nominations to the Board of Directors

Our nominating and corporate governance committee will consider candidates for directors recommended by stockholders holding at least one percent (1%) of the fully diluted capitalization of the

company continuously for at least 12 months prior to the date of the submission of the recommendation. Our nominating and corporate governance committee will evaluate such recommendations in accordance with its charter, our bylaws, our policies and procedures for director candidates, as well as the regular director nominee criteria described above. This process is designed to ensure that our board of directors includes members with diversity of experience, skills and experience, including appropriate financial and other expertise relevant to our business. Stockholders wishing to recommend a candidate for nomination should contact our Secretary in writing. Such recommendations must include the candidate's name, home and business contact information, detailed biographical data, relevant qualifications, a signed letter from the candidate confirming willingness to serve on our board of directors, information regarding any relationships between the candidate and Mandiant and evidence of the recommending stockholder's ownership of our common stock. Such recommendations must also include a statement from the recommending stockholder in support of the candidate, particularly within the context of the criteria for board of directors membership. Our nominating and corporate governance committee has discretion to decide which individuals to recommend for nomination as directors.

A stockholder can nominate a candidate directly for election to our board of directors by complying with the procedures in Section 2.4(ii) of our bylaws and the rules and regulations of the SEC. Any eligible stockholder who wishes to submit a nomination should review the requirements in the bylaws on nominations by stockholders. Any nomination should be sent in writing to our Secretary at Mandiant, Inc., 11951 Freedom Drive, 6th Floor, Reston, VA 20190. To be timely for our 2023 annual meeting of stockholders, our Secretary must receive the nomination no earlier than March 13, 2023 and no later than April 12, 2023. The notice must state the information required by Section 2.4(ii) of our bylaws and otherwise must comply with applicable federal and state law.

Communications with the Board of Directors

We have a practice of regularly engaging with our stockholders to seek their feedback, as further described in the section titled "Stockholder Engagement" below. Additionally, stockholders wishing to communicate with our board of directors or with an individual member of our board of directors may do so by writing to our board of directors or to the particular member of our board of directors, and mailing the correspondence to our General Counsel at Mandiant, Inc., 11951 Freedom Drive, 6th Floor, Reston, VA 20190. Our General Counsel will review all incoming stockholder communications (excluding mass mailings, product complaints or inquiries, job inquiries, business solicitations and patently offensive or otherwise inappropriate material), and if deemed appropriate, the stockholder communications will be forwarded to the appropriate member or members of our board of directors, or if none is specified, to the chairman of our board of directors. This procedure does not apply to stockholder proposals submitted pursuant to Rule 14a-8 under the Exchange Act.

Corporate Governance Guidelines and Code of Business Conduct and Ethics

Our board of directors has adopted Corporate Governance Guidelines. These guidelines address items such as the qualifications and responsibilities of our directors and director candidates and corporate governance policies and standards applicable to us in general.

In addition, our board of directors has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers (including our principal executive officer, principal financial officer and principal accounting officer), agents and representatives, including our independent directors and consultants, who are not employees of ours, with regard to their Mandiant-related activities.

The full text of our Corporate Governance Guidelines and our Code of Business Conduct and Ethics is posted on our website at www.Mandiant.com in the Governance section of our Investor Relations webpage. We intend to post any amendments to our Code of Business Conduct and Ethics, and any waivers of our Code of Business Conduct and Ethics for directors and executive officers, on the same website.

Risk Management

Risk is inherent with every business, and we face a number of risks, including strategic, financial, business and operational, legal and compliance, and reputational. We have designed and implemented processes to manage risk in our operations. Management is responsible for the day-to-day management of risks the

company faces, while our board of directors, as a whole and assisted by its committees, has responsibility for the oversight of risk management. In its risk oversight role, our board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are appropriate and functioning as designed.

Our board of directors believes that open communication between management and our board of directors is essential for effective risk management and oversight. Our board of directors meets with our Chief Executive Officer and other members of the senior management team at quarterly meetings of our board of directors, where, among other topics, they discuss strategy and risks facing the company, as well as at such other times as they deem appropriate.

While our board of directors is ultimately responsible for risk oversight, our board committees assist our board of directors in fulfilling its oversight responsibilities in certain areas of risk. Our audit committee assists our board of directors in fulfilling its oversight responsibilities with respect to risk management in the areas of internal control over financial reporting and disclosure controls and procedures, legal and regulatory compliance, and discusses with management and the independent auditor guidelines and policies with respect to risk assessment and risk management. Our audit committee also reviews our major financial, cybersecurity, information technology and data security risk exposures and the steps our management has taken to monitor and control these exposures, including the review of any programs and policies, as well as oversight of our enterprise risk management program. In addition, our audit committee monitors certain key risks on a regular basis throughout the fiscal year, such as risks associated with internal control over financial reporting, liquidity, cybersecurity, information technology and data security. Furthermore, our audit committee monitors compliance with legal and regulatory requirements and oversees the performance of our internal audit function. Our nominating and corporate governance committee assists our board of directors in fulfilling its oversight responsibilities with respect to the management of risk associated with board organization, membership and structure, and corporate governance. Our compensation committee assesses risks created by the incentives inherent in our compensation programs, policies and practices. Finally, our full board of directors reviews strategic and operational risk in the context of reports from the management team, receives reports on all significant committee activities at each regular meeting, and evaluates the risks inherent in significant transactions.

Stockholder Engagement

We believe that effective corporate governance includes regular, constructive conversations with our stockholders on a broad range of governance and business topics, including business strategy and execution, board diversity and refreshment, executive compensation practices, risk oversight, sustainability, culture and human capital management, and we value our stockholders' continued opinions and feedback. We are committed to maintaining an active dialogue to understand the priorities and concerns of our stockholders. In the last 12 months, as part of our ongoing stockholder engagement program, we participated in more than 100 virtual and in-person meetings with our institutional stockholders, during which we engaged in substantive discussions on our corporate strategy, financial performance, executive compensation, environmental, social and governance (ESG) initiatives, and the impact of the COVID-19 pandemic on our business. These discussions covered a variety of topics, including our compensation philosophy, the composition of our board of directors, our commitment to diversity and inclusion, and our strategies to accelerate our transformation and achieve and sustain profitable growth in the future.

Maintaining an active dialogue with our stockholders is consistent with our corporate values of transparency and accountability.

Corporate Responsibility

We believe that corporate citizenship and sustainable business practices go hand-in-hand with our mission to protect our customers from cyber threats. As an innovator and leader in the cybersecurity industry, we recognize that everything we do has an effect on the global economy, society, and the environment. Corporate citizenship, sustainability and diversity are embedded in our corporate values, which in turn define our corporate culture and guide decision-making at all levels within our organization.

Consistent with our values, we are constantly seeking new ways, both large and small, to engage our employees and improve our performance on environmental and social issues. We focus our efforts on:

1. Enabling a safer cyber environment for our employees, our customers, and the global cyber community;
2. Creating a diverse and inclusive corporate culture and workforce with high levels of engagement and a commitment to excellence; and
3. Promoting responsible global citizenship.

Enabling a Safer Cyber Environment

As we live connected and technology becomes more deeply entwined with our most basic human activities, the impact of cyberattacks will continue to grow. Without a coordinated global response, there are few risks or repercussions for attackers. Annual losses due to ransomware and other attacks are in the billions, and recent cyber attacks on hospitals, democratic elections around the world, and U.S. government institutions demonstrate the destructive potential of unchecked cybercrime and espionage.

We believe we must address the security gap between attackers and their targets before the consequences become so dire that we begin to mistrust the very technology that vastly improves our lives. When we empower organizations to protect themselves — with our threat intelligence, our expertise, and our technology — we become a partner in progress toward greater global equality and a more sustainable future. This is our mission and the cause that inspires us daily.

We achieve our mission by:

- Collecting, producing, and leveraging the best threat intelligence on a global scale;
- Making our knowledge and expertise readily available to the global cyber community through our Mandiant Advantage platform;
- Innovating continually to deliver agile technologies that adapt and respond to rapidly changing threats;
- Addressing the shortage of cybersecurity talent by recruiting and training the professionals who join us on the front lines of the cyber battlefield;
- Collaborating with law enforcement and governments to increase the risks and repercussions to attackers; and
- Being the cybersecurity experts that the experts turn to in times of complexity or duress.

When our customers depend on our technology and services to modernize their cybersecurity programs and mitigate the impact of all known cyber threats, we are well on our way to accomplishing our mission.

Protecting Ourselves to Maintain Customer Trust

We believe information privacy and data protection is a critical element of corporate responsibility for every organization. Customer trust — in our products, our services and our business practices — is a foundational to our mission. We recognize that we cannot protect our customers and achieve our mission without a deep commitment to information security and data privacy ourselves. As cybersecurity requirements evolve in response to work from home mandates, changes in the threat environment, digital transformation and other factors, we strive to follow the same cybersecurity best practices we recommend to our customers in our consulting engagements.

Offerings Compliance and Certifications

We believe our pursuit of technology certifications and industry compliance in general is critical to building customer trust and maintaining a robust and stalwart security profile. Because of this, Mandiant is dedicated to ensuring its security offerings and technologies meet or exceed critical industry certifications and

compliance requirements. Current certifications, including FedRamp certification, are listed on our Compliance and Certifications page on www.Mandiant.com.

Information Security and Data Privacy

Our data privacy programs prioritize:

- **Ethics.** Our position as “trusted advisor” to our customers during times of complexity or duress often means our employees have access to confidential information related to cyber incidents. We maintain a strict confidentiality policy regarding our business relationships with our customers, as well as other customer-related data. We remind employees of our policy through regular internal communications and require annual data privacy and security training for all employees. Our Code of Business Conduct and Ethics, which every employee must agree to as a condition of employment, outlines each individual’s responsibilities to protect our company’s, our customers’ and our colleagues’ data.
- **Compliance.** Mandiant complies with the requirements of the EU-U.S. Privacy Shield Framework and the Swiss-U.S. Privacy Shield Framework, as set forth by the U.S. Department of Commerce regarding the collection, use, and retention of personal information from European Union member countries and Switzerland. Mandiant adheres to the Privacy Shield Principles of notice, choice, onward transfer, security, data integrity and purpose limitation, access and recourse, enforcement and liability with respect to all personal information transferred from the EU or Switzerland to the US within the scope of its Privacy Shield certification. To learn more about the Privacy Shield program, and to view our certification, please visit <https://www.privacyshield.gov/list>. While Privacy Shield is not currently recognized as a legal mechanism of transfer for data originating from the EU to the US, Mandiant maintains its compliance as the program is still active in the United States. It is possible that a successor framework will emerge as the change in U.S. administrations may lead to new arrangements with EU regulators.
- **Transparency.** We publish a detailed Online Privacy Statement outlining the principles governing our information practices and other privacy aspects of our websites. We also provide a direct email link to our data privacy team for any questions not answered in the Online Privacy Statement and for data subjects to exercise their rights under applicable data protection law.
- **Training and education.** All employees are required to attend annual training on data privacy and security. Our InfoSec team also publishes regular internal updates on data privacy, password and security best practices, phishing campaigns, security awareness and other topics related to both physical and cybersecurity.

Creating a Diverse and Inclusive Corporate Culture and Workforce

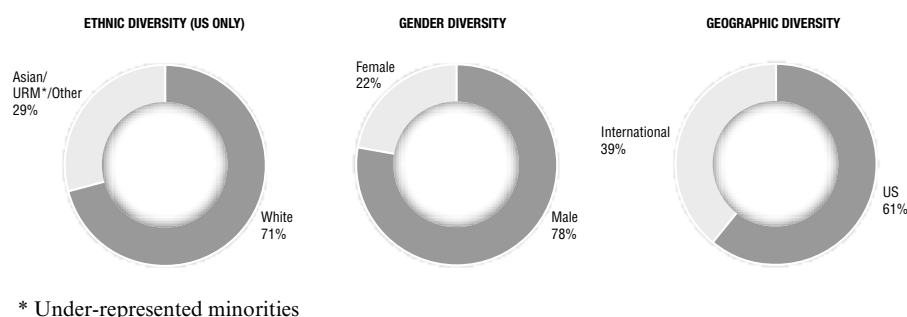
We believe our ability to attract, engage and retain talent is necessary to drive achievement of our business objectives and ultimately realize our mission and vision. Doing the right thing for our customers and employees is a core value of our culture that we believe creates value for our shareholders. There are many things that define the culture of an organization — heritage, reputation, attitude, approach to execution, work ethic, and, most importantly, people. We seek out employees with qualities that facilitate high-quality results — those traits that give personal meaning to work and elevate our customers’ experiences. We believe that employees who feel appreciated create more satisfied customers, and we focus on improving and elevating our employees’ experiences at work. This means we are committed to providing a sense of belonging across our company that inspires everyone to respectfully speak-up, contribute their ideas, take action and be accountable. Our fundamental employee experience philosophies are:

- We emphasize our ONE TEAM culture of respect and inclusiveness.
- We make recognition an integral part of our culture.
- We care about our employees and their overall well-being.
- We reward extraordinary performance and results.

Diversity, inclusion and belonging

We believe that diverse teams maximize their potential and bring with them diverse views, experiences and perspectives. We seek to integrate diversity and inclusion into the employee lifecycle, and are committed to providing a work environment that is free of discrimination and harassment, where our employees can do their best work, bring their full self to work, feel supported and in turn support others. We strive to create a working environment where everyone feels included and respected and has an equal opportunity to contribute and to maximize their potential. We have established a framework to drive diverse representation and inclusive behaviors across our company that includes actions to ensure equality of opportunity, increase diversity in our employee base, promote equality of pay across gender and ethnicity, and provide anti-bias training and education. We also seek to promote diversity and inclusion in our communities by supporting organizations that champion diversity and inclusion initiatives. In addition, we continue to invest in Mandiant-sponsored programs such as Elevate, which offers training, mentoring and other resources to women leaders in cybersecurity, and partnerships with military and veterans organizations.

As of December 31, 2021, we had approximately 2,335 employees, reflecting a global diversity of identity, background and experience.



In determining the composition of our board, our nominating and corporate governance committee and our board of directors consider the diversity of director nominees with respect to gender, race, ethnicity, sexual orientation, gender identity, viewpoints and perspectives, experience, and backgrounds. For additional information regarding our criteria for evaluating director nominees, see the section titled “Considerations in Evaluating Director Nominees.”

— Board Diversity Matrix (as of May 27, 2022)

Total Number of Directors	9	
	Female	Male
Gender Identity		
Directors	2	7
Number of Directors who identify in any of the categories below		
Asian	—	1
Hispanic or Latinx	—	1
White	2	5

Compensation and benefits

We are committed to providing employees and their families with benefits packages that support physical, mental and financial well-being. Our intent is that any benefit plans offered by Mandiant worldwide are regionally appropriate and competitive with other high-tech companies. In addition to the foundational rewards like competitive pay and benefits, we provide cash incentives, equity-based compensation and employee stock purchase programs where possible, generous paid time-off, including paid parental leave, professional development opportunities, and many other employee perks. We constantly review our pay practices and benefits to ensure we can hire the best employees possible. We also believe that equal pay is important to further advance diversity, inclusion and belonging in the workplace. In addition, we conduct an

internal pay equity review each year which currently encompasses compensation analysis across gender globally as well as race and ethnicity categories in the U.S.

Our response to COVID-19

As part of our efforts to keep our employees safe and support efforts to slow the spread of COVID-19, we instituted COVID-19 safety plans, work-from-home and return-to-office policies, and we restricted travel to essential, “business-critical” needs. With the support and commitment of our employees, we were able to seamlessly pivot to a work-from-home model and continue protecting our customers without interruption. We believe open and on-going communications have been critical to maintaining our culture and productivity during the pandemic, and we hosted weekly update calls and created an internal website designed for this purpose. We also instituted multiple measures to maintain the health and well-being of our employees, while continuing to deliver our essential cybersecurity solutions to customers around the world. Specific measures included regular employee surveys to assess employee attitudes toward work location, “self-care days” to enable rest, volunteering, or family time, online training, wellness and support programs, and a stipend to office-based employees to assist in the functional set-up of their remote working environment. Our Pandemic Response Team continues to monitor conditions and mandates globally to ensure safe practices as the pandemic evolves.

Professional development and training

We believe that a culture that encourages continued learning and development creates an environment where great people want to work and contribute their best efforts. We also believe that great leadership is how organizations endure and excel. To help our leaders, individual contributors and teams reach their full potential, we offer extensive training and career development resources internally through our Learning and Development organization. These include leadership, soft skills, and technical training, coaching, and development consulting via traditional and non-traditional learning events, as well as free access to online learning platforms such as LinkedIn Learning. We also offer tuition reimbursement program for employees who wish to further their formal education. To reinforce our corporate culture of respect, diversity and inclusion, each employee is required to complete anti-harassment and privacy awareness training annually. In addition, we offer employees a course on Breaking Bias: The Neuroscience of Diversity, Inclusion and Belonging, to build awareness of cognitive bias and how it impacts day-to-day interactions, people, business and life decisions. We also implemented additional training resources to support our diversity, inclusion and belonging programs in 2021.

Communication and engagement

We strongly believe that our culture depends on our employees’ engagement and understanding of their contribution to the achievement of our strategic imperatives, vision and mission. Communicating powerfully and prolifically is a core competency in our ONE TEAM framework, and our senior leaders communicate regularly through a variety of channels, including quarterly all-hands meetings that are broadcast globally, weekly CEO updates, a monthly newsletter and regular “Mandiant on a Mission” updates. We also enabled Yammer, the community and social interaction tool available in Office365, company-wide to address the need for more social and community interaction in our globally diverse workforce. We have many active Yammer communities, including communities hosted by our employee resource groups Valor, Pride, and BOLD: Black Organization for Leadership and Development. In addition to prioritizing regular communications, we conduct regular employee surveys to seek feedback on what is going well and where we can focus our efforts to do more. Our annual company survey continues to surpass 80 percent participation rate each year, representing a wide cross segment of our employee population.

Promoting Responsible Global Citizenship

We believe in making a positive impact in the communities where we live and work, and we embrace the concept of “think globally, act locally” as the most effective framework for implementing our sustainability values in a manner consistent with local practice, culture and needs.

Volunteering and Philanthropy

We strive to empower our local communities throughout the world through regular philanthropic efforts, including food drives, our annual back-to-school backpack program, disaster relief, support for veterans, and other local programs. We also make a donation to Doctors Without Borders on the first anniversary of every employee's employment start date.

We also encourage our employees to volunteer their time or donate money to charitable organizations of their choice and our Total Rewards benefits package includes a paid Philanthropy Day. Each year Mandiant employees log thousands of hours supporting local causes individually and through department-level activities.

The company plans to continue organizing efforts that will enable employees to open their hearts and pool their resources to benefit others in regions impacted by natural disasters, famine, and other conditions that threaten health and well-being.

Protecting our Environment

We are committed to sustainable business practices for our people and for the environment. This responsibility extends from our internal operations to our diverse eco-system of partners and to our customers. We believe every individual can make a difference and that even small changes can have a big impact.

At the corporate level, our commitment is reflected in our facilities management, our product engineering, our manufacturing relationships and our initiatives to increase efficiency through data center consolidation.

Reducing the environmental footprint of our cybersecurity solutions

We are committed to reducing the environmental impact of our solutions through innovation. Our efforts are focused on increasing efficiency and scalability with cloud-based solutions and engineering-based advancements in our appliances.

Data Center Sustainability Efforts

Our Mandiant Advantage platform and modules are hosted in the cloud. This allows us to scale the capacity of our solutions to meet our service-level commitments to customers without an increase in property, plant and equipment.

Sustainability in our Workplaces

Our commitment to sustainability through innovation extends to our workplaces.

— **Energy consumption.** While many of our locations are partial leases of larger complexes, giving us limited control over energy consumption and sources, we are currently evaluating our energy use and sources worldwide. This initiative will allow us to identify new opportunities to conserve energy, access sustainable energy sources and reduce our carbon emissions.

— **Flexible Use Workspaces.** As we offered the ability to return to our workplaces in certain offices, we took employees' responses to our COVID-19 surveys into account. As a result, we implemented a more flexible/hybrid model of workplace design with more shared workspaces and fewer assigned offices. We reduced the total square footage of our facilities and lessened commute times for our employees. As we design these new, modern workplaces, we are taking into account the latest innovations and environmental design standards. We believe these efforts will, in turn, increase productivity and contribute to a better work-life balance for our people, help diminish congestion on our roadways, and reduce total carbon emissions.

— **Everyday environmental awareness.** We believe that small steps, when implemented by a large number of people, can have a big impact on our environmental footprint. We have taken measures to conserve water through flow regulators and automatic faucets in our breakrooms and lavatories and reduce electricity use with motion sensors. We also encourage our employees around the world to participate in our environmental sustainability efforts, including programs to reduce the use of disposable plastic water bottles and promote recycling and composting to divert waste from landfills.

Extending Our Policies Globally through our Suppliers

We view fostering basic human rights, sustainable manufacturing processes and ethical business practices around the world as a fundamental responsibility. One of the many dependencies in establishing a solid foundation is establishing and maintaining business arrangements with organizations that share a similar strong commitment to sustainable and ethical business practices.

— As part of our on-boarding of new suppliers, we perform an extensive review of suppliers' compliance with data privacy regulations, information security policies, environmental, health and safety programs and labor practices. When a supplier accepts a purchase order, they agree to comply with our Supplier Code of Conduct, which clearly articulates our vision and expectations for ethical and sustainable business practices. We also encourage our suppliers, partners, and contractors to adopt their own corporate citizenship and sustainability guidelines.

— We believe using Diverse Suppliers enhances our competitive advantage, and we are committed to identifying, purchasing from and maintaining relationships with small businesses, as well as businesses owned by women, minorities, veterans, and disabled persons. As part of our Supplier Diversity Policy, we encourage our suppliers to participate in our procurement and sourcing processes and set an annual goal for total annual spending with diverse suppliers.

Our Supplier Code of Conduct and our Modern Slavery Act Statement are publicly available on our website.

Outside Director Compensation Policy

Members of our board of directors (other than the Series A Director) who are not our employees are eligible for awards under our Outside Director Compensation Policy, which our board of directors approved in August 2014 and last amended in December 2020.

Under our Outside Director Compensation Policy, non-employee directors (other than the Series A Director) receive compensation in the form of equity awards, or a mixture of equity and cash awards, as described below:

Initial Award

Upon joining our board of directors, each eligible non-employee director elected or appointed will automatically receive an equity award of restricted stock units with a total value of \$400,000. This award will vest as to 1/3 of the shares subject to the award annually over a three-year period, subject to continued service through each applicable vesting date.

Annual Awards

On the date of each annual meeting of stockholders, each eligible non-employee director who has been a non-employee director for at least six months will be entitled to receive an annual fee with a total value based on board and other service as set forth in the following table, provided that no award will be granted to any non-employee director who is not continuing as a director following the applicable annual meeting of stockholders:

	Annual Fee	
Board Member:	\$200,000	
Chairperson of the Board (if applicable):	\$ 45,000	
Lead Independent Director (if applicable):	\$ 20,000	
Committee Service:	Chair	Member
Audit:	\$20,000	\$7,000
Compensation:	\$10,000	\$5,000
Nominating and Corporate Governance:	\$ 6,250	\$2,500

Unless an eligible non-employee director elects to receive all of his or her annual fee in the form of an equity award of restricted stock units, 50% of an eligible non-employee director's annual fee will be awarded in the form of an equity award of restricted stock units and the other 50% of such non-employee director's annual fee will be awarded in the form of cash. All of a non-employee director's equity award of restricted stock units will be granted to him or her on the date of the annual meeting of stockholders and will fully vest upon the earlier of the first anniversary of the grant date or the day prior to the next annual meeting of stockholders, in each case, subject to his or her continued service through the vesting date. All of a non-employee director's cash, if any, will be paid to him or her in four equal installments on a quarterly basis, with one installment paid on the 15th day of each of the first four calendar quarters following the date of such annual meeting, in each case subject to his or her continued service through the applicable payment date.

For purposes of our Outside Director Compensation Policy, equity awards are valued at the fair market value of the shares subject to the award on the grant date of the award or such other methodology determined by our board of directors or our compensation committee.

2021 Director Compensation Table

The table below shows all compensation awarded to or paid in 2021 to our non-employee directors who served during 2021.

Name	Fees earned or paid in cash (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Total (\$)
Kimberly Alexy ⁽³⁾	—	222,482	222,482
Sara C. Andrews ⁽⁴⁾	51,875	103,738	155,613
Ronald E. F. Codd ⁽⁵⁾	109,125	109,113	218,238
Arthur W. Coviello, Jr. ⁽⁶⁾	50,000	99,997	149,997
Adrian McDermott ⁽⁷⁾	51,250	204,981	256,231
Viral Patel ⁽⁸⁾	—	—	—
Enrique Salem ⁽⁹⁾	—	254,990	254,990
Robert E. Switz ⁽¹⁰⁾	—	209,496	209,496

(1) The amounts reported in this column represent the aggregate amount of quarterly cash awards paid in 2021 in accordance with the Outside Director Compensation Policy.

(2) On June 11, 2021, we granted awards of restricted stock units to Mes. Alexy and Andrews and Messrs. Codd, Coviello, McDermott, Salem and Switz for service on our board of directors, in accordance with the Outside Director Compensation Policy. Each such award to Mes. Alexy and Andrews and Messrs. Codd, Coviello, McDermott, Salem and Switz fully vests upon the earlier of the first anniversary of the grant date or the day prior to our next annual meeting of stockholders that follows the grant date, in each case, subject to continued service through the vesting date. Ms. Alexy and Messrs. McDermott, Salem and Switz elected to receive all of their 2021 annual fees in the form of awards of restricted stock units. The amounts reported in this column represent the aggregate grant date fair value of the awards as computed in accordance with Financial Accounting Standard Board Accounting Standards Codification Topic 718. The assumptions used in calculating the grant date fair value of the awards reported in this column are set forth in the notes to our audited consolidated financial statements included in the Original Filing.

(3) As of December 31, 2021, Ms. Alexy held 10,348 shares of common stock issuable upon the vesting of restricted stock units.

(4) As of December 31, 2021, Ms. Andrews held 21,517 shares of common stock issuable upon the vesting of restricted stock units.

(5) As of December 31, 2021, Mr. Codd held (i) options to purchase 78,000 shares of common stock at an exercise price of \$2.48 per share, all of which were fully vested as of December 31, 2021, and (ii) 5,075 shares of common stock issuable upon the vesting of restricted stock units.

(6) As of December 31, 2021, Mr. Coviello held 23,932 shares of common stock issuable upon the vesting of restricted stock units.

(7) As of December 31, 2021, Mr. McDermott held 16,749 shares of common stock issuable upon the vesting of restricted stock units.

(8) Mr. Patel is the Series A Director and, accordingly, did not receive any compensation pursuant to the Outside Director Compensation Policy. Mr. Patel did not have any stock award or option awards outstanding as of December 31, 2021.

- (9) As of December 31, 2021, Mr. Salem held 11,860 shares of common stock issuable upon the vesting of restricted stock units.
- (10) As of December 31, 2021, Mr. Switz held 9,744 shares of common stock issuable upon the vesting of restricted stock units.

See the section titled “Executive Compensation” for information about the compensation of our Chief Executive Officer, who is both a director and one of our named executive officers for 2021.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

Our board of directors is currently composed of nine members. In accordance with our certificate of incorporation, our board of directors is divided into three classes with staggered three-year terms. At the Annual Meeting, stockholders are being asked to elect two Class III directors for a three-year term to succeed the same class whose term is then expiring. Each director's term continues until the election and qualification of such director's successor, or such director's earlier death, resignation, or removal. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

Nominees

Our nominating and corporate governance committee has recommended, and our board of directors has approved, Kevin R. Mandia and Enrique Salem as nominees for election as Class III directors at the Annual Meeting. If elected, each of Messrs. Mandia and Salem will serve as Class III directors until the 2025 annual meeting of stockholders and until their successors are elected and qualified. Each of the nominees is currently a director of our company. For information concerning the nominees, please see the section titled "Board of Directors and Corporate Governance."

If you are a stockholder of record and you sign your proxy card or vote over the Internet or by telephone but do not give instructions with respect to the voting of directors, your shares will be voted FOR the re-election of Messrs. Mandia and Salem. We expect that Messrs. Mandia and Salem will accept such nomination; however, in the event that a director nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by our board of directors to fill such vacancy. If you are a beneficial owner of shares of our common stock and you do not give voting instructions to your broker, bank or other nominee, then your broker, bank or other nominee will leave your shares unvoted on this matter.

Vote Required

Our bylaws and Corporate Governance Guidelines provide for a majority voting standard in uncontested elections of directors. An uncontested election is one in which the number of nominees for director does not exceed the number of directors to be elected. The director election taking place at this meeting is uncontested, and therefore, the majority voting standard will apply. That means, in order for a nominee to be elected, the votes cast "FOR" such nominee's election must exceed the votes cast "AGAINST" such nominee's election. Abstentions and broker non-votes with respect to the election of any nominee will have no effect on such nominee's election. Under our Corporate Governance Guidelines, each director is required to submit in advance an irrevocable, conditional resignation that will be effective only upon both (1) the failure to receive the required vote at the next stockholders' meeting at which the director faces reelection and (2) our board of directors' acceptance of such resignation. If an incumbent director fails to receive the required vote for reelection, our nominating and corporate governance committee will act to determine whether to accept the director's resignation and will submit its recommendation to our board of directors for consideration.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE TWO NOMINEES
NAMED ABOVE.**

PROPOSAL NO. 2
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our audit committee has appointed Deloitte & Touche LLP (“Deloitte”), as our independent registered public accounting firm to audit our consolidated financial statements for our fiscal year ending December 31, 2022. Deloitte also served as our independent registered public accounting firm for our fiscal year ended December 31, 2021.

At the Annual Meeting, stockholders are being asked to ratify the appointment of Deloitte as our independent registered public accounting firm for our fiscal year ending December 31, 2022. Stockholder ratification of the appointment of Deloitte is not required by our bylaws or other applicable legal requirements. However, our board of directors is submitting the appointment of Deloitte to our stockholders for ratification as a matter of good corporate governance. In the event that this appointment is not ratified by the affirmative vote of a majority of the shares present in person or by proxy at the Annual Meeting and entitled to vote, such appointment will be reconsidered by our audit committee. Even if the appointment is ratified, our audit committee, in its sole discretion, may appoint another independent registered public accounting firm at any time during our fiscal year ending December 31, 2022 if our audit committee believes that such a change would be in the best interests of Mandiant and its stockholders. A representative of Deloitte is expected to be present at the Annual Meeting, will have an opportunity to make a statement if he or she wishes to do so, and is expected to be available to respond to appropriate questions from stockholders.

Fees Paid to the Independent Registered Public Accounting Firm

The following table presents fees for professional audit services and other services rendered to us by Deloitte for our fiscal years ended December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Audit Fees ⁽¹⁾	\$4,518,970	\$3,051,261
Audit-Related Fees ⁽²⁾	791,720	—
Tax Fees ⁽³⁾	—	—
All Other Fees	—	—
	<u>\$5,310,690</u>	<u>\$3,051,261</u>

- (1) “Audit Fees” consist of fees for professional services rendered in connection with the audit of our annual financial statements, review of our quarterly financial statements, and services that are normally provided by Deloitte in connection with statutory and regulatory filings or engagements for those fiscal years. Fees for 2021 also included fees billed for professional services rendered in connection with Form S-3 and S-8 consent issuances. Fees for 2020 also included fees billed for professional services rendered in connection with our acquisition of Respond Software and Form S-8 consent issuances.
- (2) “Audit-Related Fees” consist of fees for professional services for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under “Audit Fees.” Fees for 2021 included fees billed for professional services rendered in connection with the audit of the FireEye Products business financial statements for the years ended December 31, 2019 and 2020.
- (3) “Tax Fees” consist of fees for professional services rendered by Deloitte for tax compliance, tax advice and tax planning.

Auditor Independence

In 2021, there were no other professional services provided by Deloitte that would have required our audit committee to consider their compatibility with maintaining the independence of Deloitte.

Audit Committee Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Our audit committee has established a policy governing our use of the services of our independent registered public accounting firm. Under the policy, our audit committee is required to pre-approve all audit

and permissible non-audit services performed by our independent registered public accounting firm in order to ensure that the provision of such services does not impair such accounting firm's independence. All fees paid to Deloitte for our fiscal years ended December 31, 2020 and 2021 were pre-approved by our audit committee.

Vote Required

The ratification of the appointment of Deloitte requires the affirmative vote of a majority of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote thereon. Abstentions will have the effect of a vote AGAINST the proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE
RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR OUR FISCAL YEAR
ENDING DECEMBER 31, 2022.**

PROPOSAL NO. 3
ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

In accordance with Section 14A of the Exchange Act and SEC rules, we are providing our stockholders with the opportunity to vote to approve, on an advisory (and non-binding) basis, the compensation of our named executive officers as disclosed in accordance with SEC rules in the “Executive Compensation” section of this proxy statement beginning on page 40 below. This proposal, commonly known as a “say-on-pay” proposal, gives our stockholders the opportunity to express their views on our named executive officers’ compensation as a whole. This vote is not intended to address any specific item of compensation or any specific named executive officer, but rather the overall compensation of all of our named executive officers and the philosophy, policies and practices described in this proxy statement.

The say-on-pay vote is advisory, and therefore not binding on Mandiant, our compensation committee or our board of directors. The say-on-pay vote will, however, provide information to us regarding investor sentiment about our executive compensation philosophy, program, policies and practices, which our compensation committee will be able to consider when determining executive compensation for the remainder of the current fiscal year and beyond. Our board of directors and our compensation committee value the opinions of our stockholders and to the extent there is any significant vote against our named executive officers’ compensation as disclosed in this proxy statement, we will consider our stockholders’ concerns and our compensation committee will evaluate whether any actions are necessary to address those concerns.

We believe that the information we have provided in the “Executive Compensation” section of this proxy statement, and in particular the information discussed in “Executive Compensation — Compensation Discussion and Analysis — Compensation Philosophy and Objectives” beginning on page 44 below, demonstrates that our executive compensation program was designed appropriately and is working to ensure the retention of key management talent and that management’s interests are aligned with our stockholders’ interests to support long-term value creation. Accordingly, we ask our stockholders to vote “FOR” the following resolution at the Annual Meeting:

“RESOLVED, that Mandiant’s stockholders approve, on an advisory basis, the compensation paid to the named executive officers, as disclosed in Mandiant’s proxy statement for the 2022 annual meeting pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, compensation tables and narrative discussion, and other related disclosure.”

Vote Required

The approval, on an advisory basis, of named executive officer compensation requires an affirmative vote of a majority of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote thereon to be approved. Accordingly, abstentions will have the effect of a vote AGAINST the proposal. Broker non-votes will have no effect on this proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE APPROVAL, ON AN
ADVISORY BASIS, OF THE COMPENSATION PAID TO OUR NAMED EXECUTIVE OFFICERS
AS DISCLOSED IN THIS PROXY STATEMENT.**

PROPOSAL NO. 4
ADVISORY VOTE ON THE FREQUENCY OF FUTURE
ADVISORY VOTES TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

Stockholders have the opportunity to advise our board of directors, in an advisory (and non-binding) vote, whether we should conduct an advisory (and non-binding) vote to approve named executive officer compensation (that is, votes similar to the non-binding vote in Proposal No. 3 above) every one, two or three years.

While our compensation strategies are related to both short-term and longer-term business outcomes, we realize that compensation decisions are made annually. We also believe that an annual advisory vote to approve named executive officer compensation will give us more frequent feedback on our compensation disclosures and named executive officer compensation program. Our board of directors has determined that holding an advisory vote to approve named executive officer compensation every year is the most appropriate policy for us at this time, and recommends that stockholders vote for future advisory votes to approve named executive officer compensation to occur each year.

The frequency that receives the highest number of votes cast will be deemed to be the frequency selected by the stockholders. Because this vote is advisory, it will not be binding on Mandiant or our board of directors. However, the compensation committee will consider the outcome of the stockholder vote, along with other relevant factors, in recommending a voting frequency to our board of directors.

Vote Required

The frequency of future advisory votes to approve named executive officer compensation selected by stockholders requires a plurality vote of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote thereon to be approved. This means that the frequency (1 year, 2 years or 3 years) that receives the highest number of votes will be considered as the frequency selected by our stockholders. Broker non-votes will have no effect on this proposal.

**THE BOARD RECOMMENDS A VOTE FOR A FREQUENCY OF ONCE EVERY “1 YEAR” FOR
FUTURE ADVISORY VOTES TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION.**

AUDIT COMMITTEE REPORT

The information contained in the following Audit Committee Report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Mandiant, Inc., or the Company, specifically incorporates it by reference in such filing.

The audit committee has reviewed and discussed the Company's audited consolidated financial statements with management and Deloitte & Touche LLP ("Deloitte"), the Company's independent registered public accounting firm. The audit committee has discussed with Deloitte the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board and the Securities and Exchange Commission.

The audit committee has received and reviewed the written disclosures and the letter from Deloitte required by the applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte's communications with the audit committee concerning independence, and has discussed with Deloitte its independence.

Based on the review and discussions referred to above, the audit committee recommended to the board of directors that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 for filing with the Securities and Exchange Commission.

Respectfully submitted by the members of the audit committee of the board of directors:

Kimberly Alexy (Chair)
Ronald E. F. Codd
Robert E. Switz

EXECUTIVE OFFICERS

The following table identifies certain information about our executive officers as of April 6, 2022. Each executive officer serves at the discretion of our board of directors and holds office until his or her successor is duly elected and qualified or until his or her earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

Name	Age	Position(s)
Kevin R. Mandia	51	Chief Executive Officer and Director
William T. Robbins	54	Executive Vice President and Chief Revenue Officer
Frank E. Verdecanna	51	Executive Vice President and Chief Financial Officer
John P. Watters	58	President and Chief Operating Officer

Kevin R. Mandia has served as our Chief Executive Officer since June 2016 and as a member of our board of directors since February 2016. He previously served as our President from February 2015 to June 2016 and as our Senior Vice President and Chief Operating Officer from the date of Mandiant's acquisition of Mandiant Corporation, in December 2013 through February 2015. Prior to joining Mandiant Corporation, Mr. Mandia was the Chief Executive Officer of Mandiant Corporation and had served in that capacity since he founded Mandiant Corporation in 2004. Prior to forming Mandiant Corporation, Mr. Mandia served as the Director of Computer Forensics at Foundstone (later acquired by McAfee Corporation) from 2000 to 2003 and as the Director of Information Security for Sytex (later acquired by Lockheed Martin) from 1998 to 2000. From 1993 to 2000, Mr. Mandia was an officer in the United States Air Force, where he served in various capacities, including as a computer security officer in the 7th Communications Group at the Pentagon, and later as a special agent in the Air Force Office of Special Investigations (AFOSI). Mr. Mandia holds a B.S. in Computer Science from Lafayette College and an M.S. in Forensic Science from The George Washington University. Mr. Mandia has served as a member of the Cybersecurity Advisory Committee for the Cybersecurity and Infrastructure Security Agency since December 2021. In 2011, Mr. Mandia was named Ernst & Young Entrepreneur of the Year for the Greater Washington area. He completed the Harvard Business School's Owner/President Management Program in February 2013. Mr. Mandia has taught graduate level courses at Carnegie Mellon University and The George Washington University and has co-authored two books on responding to security breaches: Incident Response: Performing Computer Forensics (McGraw-Hill, 2003) and Incident Response: Investigating Computer Crime (McGraw-Hill, 2001). Our board of directors believes that Mr. Mandia possesses specific attributes that qualify him to serve as a director, including the perspective and experience he brings as our Chief Executive Officer and his extensive senior management expertise in the network security industry.

William T. Robbins has served as our Executive Vice President and Chief Revenue Officer since February 2020. He previously served as our General Manager of Products from February 2020 to January 2021 and as our Executive Vice President of Worldwide Sales from November 2016 to February 2020. Prior to joining Mandiant, Mr. Robbins was Executive Vice President of Worldwide Sales of Nuance Communications, Inc. from December 2013 to November 2016. From January 2013 to December 2013, Mr. Robbins served as Chief Operating Officer of [24]7. From May 2005 to December 2012, Mr. Robbins held various positions at Symantec Corporation, most recently as Executive Vice President, Worldwide Sales & Services. Mr. Robbins holds both a B.S. in Economics and a B.B.A. in Finance from Southern Methodist University.

Frank E. Verdecanna has served as our Executive Vice President and Chief Financial Officer since February 2017. He previously served as our Chief Accounting Officer from August 2016 to February 2022, as our Senior Vice President of Finance from November 2015 to February 2017, as our interim Chief Financial Officer from August 2015 to September 2015 and as our Vice President of Finance from November 2012 to November 2015. Prior to joining Mandiant, Mr. Verdecanna was the Chief Financial Officer of Apptera, Inc., a mobile communications and advertising company, from February 2010 to November 2012. From October 2000 to July 2009, Mr. Verdecanna held various finance positions, most recently as Vice President and Chief Financial Officer, at iPass Inc., a publicly traded global provider of mobility software and services. Mr. Verdecanna holds a B.S. in Business Administration from California Polytechnic State University-San Luis Obispo.

John P. Watters has served as our President and Chief Operating Officer since April 2021. He previously served in various roles with us since we acquired iSIGHT Security, Inc. (d/b/a iSIGHT Partners, Inc.) (“iSIGHT Partners”) in 2016, including as a consultant from May 2020 to April 2021, as Chairman of our Advisory Board from April 2020 to April 2021, as Executive Vice President and Chief Strategy Officer from February 2018 to April 2020, as Executive Vice President, Global Services and Intelligence from January 2017 to January 2018, and as President, iSIGHT from March 2016 to January 2017. Prior to Mandiant, Mr. Watters served as founder, Chairman, Chief Executive Officer and President of iSIGHT Partners from November 2006 to February 2016. Prior to iSIGHT Partners, Mr. Watters was Chairman and Chief Executive Officer of iDEFENSE, a security intelligence firm acquired by VeriSign in 2005. In addition, Mr. Watters served as an independent business consultant from April 2020 to April 2021, has served as founder, director and President of Dorset Capital Corporation, an investment firm, since 1998, and has served as founder, director and President of the STAIRS Program, a non-profit organization supporting inner-city education, since 2000. Mr. Watters holds a B.S.C degree in Finance from Santa Clara University.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides information regarding the 2021 compensation of our principal executive officer, our principal financial officer, two executive officers (other than our principal executive officer and our principal financial officer) who were our most highly-compensated executive officers as of the end of 2021, and two additional individuals who were executive officers during part of 2021 but were not serving as executive officers at the end of 2021. These individuals were:

- Peter Bailey, our Executive Vice President, Mandiant Solutions;
- Alexa King, our former Executive Vice President, Corporate and Legal Affairs, General Counsel and Secretary;
- Kevin R. Mandia, our Chief Executive Officer (our “Chief Executive Officer”);
- William T. Robbins, our Executive Vice President and Chief Revenue Officer;
- Frank E. Verdecanna, our Executive Vice President and Chief Financial Officer; and
- John P. Watters, our President and Chief Operating Officer.

These individuals (with the applicable titles described above as of the end of 2021) were our named executive officers (our “Named Executive Officers”) for 2021.

Management Changes

Mr. Bailey’s title of Executive Vice President at the start of 2021 was changed to Executive Vice President, Mandiant Solutions, and Mr. Robbins relinquished his title of General Manager of Products, in each case effective January 28, 2021. Effective April 5, 2021, we appointed John P. Watters as our President and Chief Operating Officer, and Mr. Bailey relinquished his title of Chief Operating Officer. Alexa King resigned from her positions of Executive Vice President, Corporate and Legal Affairs, General Counsel and Secretary effective November 1, 2021 and then became our Strategic Advisor until March 1, 2022. On February 7, 2022, Mr. Verdecanna relinquished his title of Chief Accounting Officer.

Overview

This Compensation Discussion and Analysis describes the material elements of our executive compensation program during the fiscal year ended December 31, 2021. It also provides an overview of our executive compensation philosophy, as well as our principal compensation policies and practices. Finally, it analyzes how and why the compensation committee of our board of directors arrived at the specific compensation decisions for our executive officers, including our Named Executive Officers, in 2021, and discusses the key factors that our compensation committee and our board of directors considered in determining the compensation of our Named Executive Officers.

Executive Summary, Strategic Context and 2021 Business Highlights

We provide a broad portfolio of cybersecurity solutions and services that allow organizations to prepare for, prevent, respond to, investigate and remediate cyber attacks. Since 2013, we have evolved our business from a focus on appliance-based detection and prevention of stealthy and targeted cyber-attacks in customers’ on-premise networks by expanding our portfolio of technologies and services to help our customers address today’s cybersecurity challenges. Our cybersecurity solutions are designed to rapidly incorporate the latest threat intelligence as the threat environment evolves.

Our Mandiant solutions include our controls-agnostic threat intelligence, validation, attack surface management and XDR SaaS solutions, as well as our portfolio of managed services and consulting services. Our solutions include our controls-agnostic software-as-a-service (“SaaS”) security validation platform, threat intelligence and automated extended detection and response (XDR) software. These SaaS solutions are complemented by our technology-enabled managed services and our Mandiant incident response and strategic cybersecurity consulting services. We introduced Mandiant Advantage in October 2020 to enable customers

to access all Mandiant Solutions through a single cloud-based platform. Prior to June 2021, we also offered service under our FireEye security control products for network, email, endpoint and cloud security. On June 2, 2021, we announced we had entered into a definitive agreement to sell the FireEye Products business, including the FireEye name, to a consortium led by Symphony Technology Group (STG). The sale was completed on October 8, 2021.

The cybersecurity industry is highly competitive. We believe the market opportunity is substantial, but we must adapt rapidly to changes in the threat environment and the development of new technologies to be successful.

Our business strategy is based on the fundamental belief that our hands-on cybersecurity expertise and threat intelligence, combined with our innovative technologies, can protect our customers from the catastrophic consequences of cyber attacks. Our real-time knowledge of the threat landscape and the tools and techniques used by today's threat actors allows us to establish trusted advisor relationships with our customers, contributing to high customer retention and follow-on purchases of additional solutions. Additionally, we apply our threat intelligence and the expertise gained on the front lines of cyber conflict in a unique learning system and innovation cycle that guides our product and solutions development efforts and helps our managed services and consulting teams identify, respond to and remediate breaches.

In March 2022, we announced that we had entered into a definitive agreement to be acquired by Google LLC for \$23.00 per share in an all-cash transaction valued at approximately \$5.4 billion, inclusive of Mandiant's net cash. The acquisition is subject to customary closing conditions, including the receipt of Mandiant stockholder and regulatory approvals.

2021-Related Executive Compensation Actions

Consistent with our performance and compensation objectives, our compensation committee or our board of directors, as applicable, approved the following actions related to the 2021 compensation for our Named Executive Officers:

- *Base Salary.* Increased the base salary of Ms. King by 2.5% over her 2020 level to reflect competitive market conditions, and approved a base salary for Mr. Watters in connection with his appointment as President and Chief Operating Officer. None of our other Named Executive Officers were given base salary increases for 2021;
- *Target Cash Incentive Compensation Opportunities.* Increased the target annual cash incentive compensation opportunity of Ms. King by 2.5% over her 2020 level to reflect competitive market conditions, and approved a target annual cash incentive compensation opportunity for Mr. Watters in connection with his appointment as President and Chief Operating Officer. None of our other Named Executive Officers were given target annual cash incentive compensation increases for 2021;
- *Short-Term Incentive Compensation.* Based upon the levels of achievement of the corporate performance objectives and individual performance objectives established under our Employee Incentive Plan for the 2021 target annual cash incentive compensation opportunities of our Named Executive Officers, approved cash payouts ranging from \$183,364 to \$396,699 for our Named Executive Officers other than our Chief Executive Officer, with a cash payout for our Chief Executive Officer in the amount of \$391,820 (representing 89% of his 2021 target annual cash incentive compensation opportunity);
- *Discretionary Cash Bonus.* Awarded a discretionary cash bonus in the amount of \$50,000 to Ms. King in recognition of her exemplary individual performance supporting us with the security incident we announced in December 2020. None of our other Named Executive Officers were awarded discretionary cash bonuses in 2021;
- *Long-Term Incentive Compensation.* Continued the practice of providing long-term incentive compensation in the form of restricted stock unit ("RSU") awards and performance-based restricted stock unit ("PSU") awards for shares of our common stock;
- *Equity Awards.* Granted a combination of RSU and PSU awards to our Named Executive Officers, subject to a time-based vesting requirement in the case of the RSU awards and both a performance

condition and a time-based vesting requirement in the case of the PSU awards. 20% of the PSU awards granted in 2021 to our Named Executive Officers (other than to Mr. Watters) were tied to a relative Total Shareholder Return (rTSR) performance measure based on our stock performance relative to the stock performance of companies in the Russell 2000 Index over a three-year performance period (2021 – 2023). In the case of Mr. Watters, 57% of the PSU awards granted in 2021 were tied to established stock price milestone achievements. The aggregate grant date fair value (at target) of the equity awards granted to our Named Executive Officers ranged from \$2,496,535 to \$15,283,950 for our Named Executive Officers other than our Chief Executive Officer, with the aggregate grant date fair value of our Chief Executive Officer's equity awards being \$6,946,880; and

- *Payout of PSU Awards Granted in 2019, 2020, and 2021.* Paid out PSUs based upon the level of achievement of the performance conditions for the portion of the PSU awards granted in 2019, 2020, and 2021 that were tied to 2021 corporate performance measures and the rTSR performance measure for the 2019-2021 performance period, subject to the continued service of the applicable Named Executive Officers through the applicable vesting date (*i.e.*, February 2022).

Pay for Performance

A significant portion of the target total direct compensation provided to our Named Executive Officers each year is at-risk and subject to our achieving our operating results as follows:

- Our short-term incentive compensation program requires achievement of corporate and/or individual objectives for any payment to be made thereunder.
- A significant portion (*i.e.*, more than 50%) of the equity awards granted in 2021 to our Named Executive Officers were both at-risk and subject to achievement of pre-established performance objectives. If the performance objectives were not achieved at a threshold level, then none of the shares of our common stock subject to the PSU awards would be earned.

Executive Compensation-Related Policies and Practices

We endeavor to maintain sound executive compensation policies and practices, including compensation-related corporate governance standards that are consistent with our executive compensation philosophy. During 2021, we maintained the following executive compensation policies and practices, including both policies and practices we have implemented to drive performance and policies and practices that either prohibit or minimize behavior that we do not believe serve our stockholders' long-term interests:

What We Do

- *Independent Compensation Committee.* We maintain a compensation committee comprised solely of independent directors who have established effective means for communicating with our stockholders regarding their executive compensation opinions and concerns.
- *Independent Compensation Advisors.* We enable our compensation committee to engage and retain its own advisors. During 2021, our compensation committee engaged Compensia, Inc., a national compensation consulting firm, to assist with its responsibilities.
- *Annual Executive Compensation Review.* We support our compensation committee in its annual review of our executive compensation strategy, including its review of the compensation peer group used for comparative purposes and, to help avoid creating compensation-related risks that would be reasonably likely to have a material adverse effect on us, its annual review of our compensation-related risk profile.
- *Equity-Based Compensation with Multi-Year Vesting Requirements.* Our compensation committee designs the equity awards granted to our executive officers to be consistent with current market practice. A significant portion of the equity awards vest over multi-year periods, which serves our long-term value creation goals and retention objectives.
- *Prohibition on Hedging, Pledging, and Short Sales.* We prohibit short sales, hedging and transactions in derivatives of Mandiant securities for all Mandiant personnel, including directors, officers, employees, independent contractors and consultants. In addition, we prohibit our executive officers

and the non-employee members of our board of directors from pledging their equity securities or using such securities as collateral for a loan.

- *Annual Succession Planning.* We support our board of directors in its review of the risks associated with our key executive positions on an annual basis so that we have an adequate succession strategy and plans are in place for our most critical positions.
- *Stock Ownership Guidelines.* We maintain formal stock ownership guidelines for our executive officers and the non-employee members of our board of directors to support these individuals acting as owners of the Company.
- *Clawback Policy.* We maintain a clawback policy which provides that, in the event we are required to prepare an accounting restatement as a result of fraud or intentional misconduct, we may recover from those current and former executive officers who are subject to the reporting requirements of Section 16 of the Exchange Act and were involved in the fraud or misconduct any incentive compensation erroneously paid or awarded in excess of what would have been paid pursuant to the restated financial statements.

What We Do Not Do

- *No Retirement Plans Other than Standard 401(k) Offered to All Employees.* We do not offer pension arrangements, defined benefit retirement plans, or nonqualified deferred compensation plans to our executive officers.
- *No Repricing or Reissuance of Stock Options.* We do not reprice or reissue options to purchase shares of our common stock without stockholder approval.
- *Limited Perquisites.* We do not provide perquisites and other personal benefits to our executive officers unless they serve a sound business purpose.
- *Limited “Single Trigger” Change of Control Payments or Benefits.* Other than our PSU awards with a total shareholder return performance metrics that may accelerate vesting on a pro-rata basis in connection with a change in control, with the balance of such PSU awards that are eligible to vest subject to continued vesting requirements, we do not provide “single trigger” change of control payments or benefits to our executive officers.
- *No Tax Gross-up for Change in Control Payments or Benefits.* We do not provide tax gross-ups for change in control payments or benefits to our executive officers.
- *No Strict Benchmarking of Compensation.* We do not benchmark compensation to a specific percentile of our peer group.
- *No Guaranteed Compensation.* We do not provide guaranteed incentive compensation, indefinite contracts, or excessive severance payments to our executive officers.

Response to Stockholder Advisory Vote on Named Executive Officer Compensation

Our compensation committee considers the results of the annual stockholder advisory vote on the compensation of our named executive officers, as well as stockholder feedback on our executive compensation program, as part of its annual executive compensation review. In response to stockholder feedback, as well as the views expressed by the major proxy advisory firms in their annual compensation review and voting recommendations, we continue to revise and enhance our executive compensation program while remaining consistent with our compensation objectives, “pay for performance” philosophy and corporate values.

In 2019, we asked our stockholders to approve, on a non-binding advisory basis, the compensation of our named executive officers for the year ended December 31, 2018. This “say-on-pay” proposal received support from approximately 94% of the votes cast. As a result, we believe that our stockholders favorably viewed the structure of our executive compensation program. However, in response to feedback from our stockholders received through our ongoing stockholder engagement efforts and commentary from the major proxy advisory firms in their annual compensation analysis and voting recommendations, and due to competitive market conditions, we made the following changes to our 2020 executive compensation program:

- For our 2020 annual cash incentive program, we added annualized recurring revenue (“ARR”) as an additional corporate performance measure. This change responded to specific feedback we received that we add ARR as a performance measure for our executive compensation program because investors generally place a higher relative value on companies with significant recurring revenues, and ARR aligns with how our customers are increasingly purchasing our solutions and services and how we are managing our business as we offer more and more solutions through subscriptions and services.
- For time-based equity awards granted in 2020 to our existing executive officers, but not any time-based equity awards granted in 2020 to any new executive officers, we provided that the awards are scheduled to vest quarterly in 16 equal installments over four years. This differed from our prior practice where 25% of the awards were scheduled to vest after one year, with the remaining portion being scheduled to vest quarterly in 12 equal installments thereafter over the following three years. This change was to help make our “follow-on” time-based equity awards more competitive with the practices of our competitors and is consistent with the practices of many companies in our compensation peer group.

At our 2020 annual meeting of stockholders, our “say-on-pay” proposal received support from approximately 95% of the votes cast. As a result, we believe that our stockholders favorably viewed the structure of our executive compensation program. However, in response to feedback from our stockholders received through our ongoing stockholder engagement efforts, and due to competitive market conditions, we made the following additional changes to our executive compensation program for 2021:

- For the performance-based equity awards granted in 2021, we used the general framework that we used in 2020 except we replaced the billings performance measure with a revenue performance measure and equally weighted the revenue and non-GAAP operating income performance measures. The change in financial metrics responded to feedback we received that our revenue performance may be a better indicator than our billings performance for our progress on our transformation journey.
- For our 2021 annual cash incentive program, we removed revenue as one of the corporate performance measures, since we added revenue as a corporate performance measure for the performance-based equity awards granted in 2021. The removal responded to specific feedback we received that we refrain from using the same performance measure for both our short-term and long-term incentive compensation programs.

In 2021, our “say-on-pay” proposal received support from approximately 98% of the votes cast. As a result, we believe that our stockholders favorably viewed the structure of our executive compensation program. However, in response to feedback from our stockholders received through our ongoing stockholder engagement efforts, and due to competitive market conditions, for our 2022 annual cash incentive program, we increased the weighting of annual recurring revenue to 50% from 35%, decreased the weighting of free cash flow from 35% to 30%, and decreased the weighting of individual performance measures from 30% to 20%. The changes in weightings to emphasize annual recurring revenue were in response to feedback from investors that they were especially focused on the growth of our annual recurring revenue following our divestiture of the FireEye Products business in October 2021.

For 2022, in light of the anticipated transaction with Google, we did not issue PSUs to our executive officers, and instead issued them RSUs in March 2022 with a one-year performance period.

Our compensation committee continues to consider best practices from a stockholder and corporate governance perspective when it designs our executive compensation program. Further, our compensation committee continues to consider feedback received through our stockholder engagement efforts, as well as the results of the annual advisory vote on our executive compensation program and policies, and use this feedback in shaping our future executive compensation program.

Compensation Philosophy and Objectives

Compensation Philosophy

As a cybersecurity provider, we operate in a rapidly evolving and intensely competitive industry sector. To succeed in this environment, we must attract and retain a highly talented executive team, including executive officers with strong leadership skills who can run our business functions, achieve results that meet our clients’

objectives, and sell our products, subscriptions and services. We compete with other companies in our industry and other technology companies to attract and retain a skilled management team. We have designed our executive compensation program to accomplish our goals in the highly competitive area for top talent, while at the same time fostering a “pay for performance” environment that aligns the long-term interests of our executive officers with the interests of our stockholders.

Compensation Program Objectives

To be successful in our industry requires that we continually build on our expertise in the cybersecurity space, expand the breadth and quality of our solutions, continuously enhance our technology platforms, and manage our expanding operations efficiently and effectively. Our executive compensation program is designed to achieve these objectives so that we are able to:

- attract and retain talented and experienced executive officers, who possess the knowledge, skills, and leadership criteria critical to our success;
- motivate these executive officers to achieve our business objectives and uphold our core values;
- promote teamwork within the executive team, while also recognizing the unique role each executive officer plays in our success; and
- ensure the alignment of the long-term interests of our executive officers with the interests of our stockholders.

Throughout 2021, we continued to evaluate our compensation philosophy and program objectives as circumstances required. Our compensation committee reviewed executive compensation in 2021, and, as part of this review process, our compensation committee applied our values and the objectives described above, while considering the compensation levels needed to ensure that our executive compensation program remains competitive.

Compensation-Setting Process

Role of Compensation Committee

Our compensation committee oversees our executive compensation and other compensation and benefit programs, administers our equity compensation plans, and reviews, formulates, and determines the design and amount of compensation for our executive officers, including our Named Executive Officers, except that any approvals by our compensation committee relating to the compensation of our Chief Executive Officer are subject to the ratification of our board of directors (with any non-independent directors abstaining from the vote).

At the beginning of each year, our compensation committee reviews our executive compensation program, including any incentive compensation plans and arrangements to determine whether they are appropriate, properly coordinated, and achieve their intended purposes and makes any modifications to existing plans and arrangements or adopts new plans or arrangements. Our compensation committee also conducts an annual review of our executive compensation strategy to ensure that it is appropriately aligned with our business strategy and the achievement of our desired objectives. Further, our compensation committee reviews market trends and changes in competitive compensation practices, as further described below. Based on its review and assessment, our compensation committee, from time to time, makes changes in our executive compensation program or recommends changes to our board of directors.

The factors considered by our compensation committee in determining the compensation of our executive officers and developing its recommendations to our board of directors for 2021 included:

- the recommendations of our Chief Executive Officer (except with respect to his own compensation) as described below;
- our corporate growth and other elements of financial performance;
- the individual achievement of each executive officer against his or her management objectives;
- a review of the relevant competitive market data (as described below);

- the expected future contribution of the individual executive officer; and
- internal pay equity based on the impact on our business and performance.

Our compensation committee does not weigh these factors in any predetermined manner, nor does it apply any formulas in developing its compensation determinations and recommendations. Rather, in making its determinations and recommendations, the members of our compensation committee consider all of this information in light of their individual experience, knowledge of the Company, knowledge of the competitive market, knowledge of each executive officer, and business judgment.

Our compensation committee's authority, duties, and responsibilities are described in its charter, which is reviewed annually and revised and updated as warranted. The charter is available on our website at www.Mandiant.com in the Governance section of our Investor Relations webpage.

Role of Management

Our Chief Executive Officer works closely with our compensation committee in determining the compensation of our other executive officers, including our other Named Executive Officers. Typically, our Chief Executive Officer works with our compensation committee to recommend the structure of the annual cash incentive compensation opportunities, to identify and develop corporate and individual performance objectives for such cash incentive compensation opportunities, and to evaluate actual performance against the selected measures. Our Chief Executive Officer also makes recommendations to our compensation committee as described in the following paragraph and is involved in the determination of compensation for the respective executive officers who report to him.

At the beginning of each year, our Chief Executive Officer reviews the performance of our other executive officers for the previous year, and then shares these evaluations with, and makes recommendations to, our compensation committee for each element of compensation. These recommendations concern the base salary, annual cash incentive compensation, and long-term incentive compensation for each of our executive officers (other than himself) based on our results, the individual executive officer's contribution to these results, and his or her performance toward achieving his or her individual performance objectives. Our compensation committee then reviews these recommendations and considers the other factors described above and makes decisions as to the target total direct compensation of each executive officer (other than our Chief Executive Officer), as well as each individual compensation element.

While our compensation committee considers our Chief Executive Officer's recommendations, it only uses these recommendations as one of several factors in making its decisions with respect to the compensation of our executive officers. In all cases, the final decisions on compensation matters are made by our compensation committee or our board of directors (with any non-independent directors abstaining from the vote). Moreover, no executive officer participates in the determination of the amounts or elements of his or her own compensation.

At the request of our compensation committee, our Chief Executive Officer typically attends a portion of each compensation committee meeting in which executive compensation is discussed, including meetings at which our compensation committee's compensation consultant is present.

Role of Compensation Consultant

Pursuant to its charter, our compensation committee has the authority to retain the services of one or more executive compensation advisors, as it determines in its sole discretion, including compensation consultants, legal counsel, accounting, and other advisors, to assist in the creation of our compensation plans and arrangements and related policies and practices. Our compensation committee makes all determinations regarding the engagement, fees, and services of these external advisors, and any such external advisor reports directly to our compensation committee.

During 2021, our compensation committee engaged Compensia, Inc., a national compensation consulting firm, to provide information, analysis, and other assistance relating to our executive compensation program on an ongoing basis. In 2021, Compensia provided advice with respect to compensation best practices and

market trends for our executive officers and the non-employee members of our board of directors as well as other ad hoc advice and support throughout the year.

Our compensation committee may replace its compensation consultant or hire additional advisors at any time. Representatives of Compensia attend meetings of our compensation committee, as requested, and communicate with our compensation committee Chair and with management as circumstances warrant. All decisions regarding the compensation of our executive officers, however, are made by our compensation committee (provided that any approvals by our compensation committee relating to the compensation of our Chief Executive Officer are subject to the ratification of our board of directors, with any non-independent directors abstaining from the vote) or our board of directors (with any non-independent directors abstaining from the vote).

Compensia reports directly to our compensation committee. Our compensation committee has assessed the independence of Compensia taking into account, among other things, the enhanced independence standards and factors set forth in Exchange Act Rule 10C-1 and the applicable NASDAQ Listing Standards, and concluded that there are no conflicts of interest with respect to the work that Compensia performs for our compensation committee.

Use of Competitive Market Data

As one of many factors in its deliberations on compensation matters, our compensation committee considers competitive market data on executive compensation levels and practices and a related analysis of such data, but does not use this data for setting compensation levels to meet specific percentiles. This market data is drawn from a select group of peer companies developed by our compensation committee.

At the direction of our compensation committee, Compensia developed a revised compensation peer group in October 2019 to ensure that our executive compensation decisions for 2020 were positioned to be competitive with comparable peer companies. This updated peer group was based on an evaluation of companies that our compensation committee believed were comparable to us, taking into consideration the size of each company (based on revenues and market capitalization) and the following additional factors:

- the comparability of the company's business model;
- the company's business services focus;
- the comparability of the company's operating history;
- the comparability of the company's organizational complexities and growth attributes;
- the stage of the company's maturity curve (which increases its likelihood of attracting the type of executive talent for whom we compete);
- the companies we most often compete with for talent when hiring; and
- the comparability of the company's operational performance (for consistency with our strategy and future performance expectations).

Based on these criteria, our compensation committee approved an updated compensation peer group consisting of 20 publicly-traded business services and related technology companies. At the time Compensia updated the peer group, the selected companies had revenues ranging from approximately \$351 million to approximately \$2.9 billion, with a median of \$725 million, and market capitalizations ranging from approximately \$1.2 billion to approximately \$20.1 billion, with a median of \$4.4 billion. The companies comprising the compensation peer group were as follows:

Aspen Technology	Guidewire Software	Proofpoint
Box	LendingClub	Splunk
Commvault Systems	LogMeIn	Twilio
Cornerstone OnDemand	Manhattan Associates	Verint Systems
CrowdStrike Holdings	New Relic	Yelp
Envestnet	Palo Alto Networks	Zendesk
Fortinet	Progress Software	

Of the 20 companies in our 2020 compensation peer group, 16 were carried over from 2019 (Aspen Technology, Box, Commvault Systems, Cornerstone OnDemand, Envestnet, Fortinet, Guidewire Software, LendingClub, LogMeIn, Palo Alto Networks, Progress Software, Proofpoint, Splunk, Twilio, Yelp and Zendesk). The turnover of our compensation peer group was a result of the evaluation and selection criteria described above.

For 2021, our compensation committee reviewed our compensation peer group and considered performing an analysis to obtain an updated group. However, following its review, our compensation committee determined that the 2020 peer group remained appropriate for 2021 compensation decisions. Our compensation committee determined that considerable questions remained regarding how the Covid-19 pandemic would impact the market for executive talent, and also that we had made no significant changes to our business model since our compensation committee last reviewed our compensation practices with reference to our 2020 peer group. In light of these and other considerations, our compensation committee determined that no substantiative changes to our compensation practices were warranted for 2021, and as a result elected to continue to rely on our 2020 compensation peer group data.

Our compensation committee believes that information regarding the compensation practices at other companies is useful in at least two respects. First, our compensation committee recognizes that our compensation policies and practices must be competitive in the marketplace. Second, this information is useful in assessing the reasonableness and appropriateness of individual executive compensation elements and of our overall executive compensation packages. This information is only one of several factors that our compensation committee considers, however, in making its decisions with respect to the compensation of our executive officers.

Compensation Elements

Our executive compensation program consists primarily of three elements: base salary, short-term incentive compensation in the form of cash awards, and long-term incentive compensation in the form of equity awards. Our executive officers also participate in several Company-wide welfare and health benefit plans, which are consistent with the arrangements offered to our other employees in the United States. Finally, our executive officers are eligible to receive certain post-employment compensation arrangements.

We use these compensation elements to make up our executive compensation program because (i) they are consistent with the programs of other companies in our competitive market and allow us to effectively compete for highly-qualified talent, (ii) each element supports achievement of one or more of our compensation objectives, and (iii) collectively, they have been and, we believe, will continue to be, effective means for motivating our executive officers. We view the three primary compensation elements as related, but distinct, components of our total compensation program. We do not believe that total compensation should be derived from a single element, or that significant compensation from one element should negate or reduce compensation from other elements.

Each of these compensation elements is discussed in detail below, including a description of the particular element and how it fits into our overall executive compensation and a discussion of the amounts of compensation paid to our Named Executive Officers in 2021 under each of these elements.

Base Salary

We believe that a competitive base salary is necessary to attract and retain a stable executive team. Base salaries for our executive officers are also intended to be competitive with those received by other individuals in similar positions at the companies with which we compete for talent, as well as equitable across the executive team.

Generally, we establish the initial base salaries of our executive officers through arm's-length negotiation at the time we hire the individual executive officer, taking into account his or her position, qualifications, experience, prior salary level, and the base salaries of our other executive officers.

Thereafter, our compensation committee or our board of directors reviews the base salaries of our executive officers, including our Named Executive Officers, at least annually and makes adjustments to base salaries as it determines to be necessary or appropriate.

In January 2021, our compensation committee reviewed the base salaries of our executive officers, taking into consideration the recommendations of our Chief Executive Officer (except with respect to his own base salary), as well as the other factors described above. Following this review, our compensation committee determined that an adjustment was necessary and appropriate only in the case of Ms. King to maintain the competitiveness of her target total cash compensation and decided to increase her base salary compared to her 2020 level, effective as of January 1, 2021.

In February 2021, our board of directors determined that no adjustment was necessary or appropriate with respect to Mr. Mandia's base salary.

In April 2021, our board of directors approved the base salary for Mr. Watters in connection with his appointment as President and Chief Operating Officer.

The ending base salaries of our Named Executive Officers for 2021 compared to 2020 levels were as follows:

Named Executive Officer	Ending 2020 Base Salary	Ending 2021 Base Salary	Amount Increase	Percentage Increase
Mr. Bailey	\$400,000	\$400,000	—	—
Ms. King	\$395,000	\$405,000	\$10,000	2.5%
Mr. Mandia	\$440,000	\$440,000	—	—
Mr. Robbins	\$475,000	\$475,000	—	—
Mr. Verdecanna	\$410,000	\$410,000	—	—
Mr. Watters ⁽¹⁾	—	\$600,000	—	—

(1) Mr. Watters received a base salary in connection with his appointment as President and Chief Operating Officer. Prior to that appointment, he served as a consultant and was not eligible for a base salary.

The base salaries earned by our Named Executive Officers for 2021 are set forth in the "Summary Compensation Table for Fiscal Year 2021" below.

Annual Cash Incentive Compensation — Overview

We use annual cash incentive compensation paid under our Employee Incentive Plan (the "Incentive Plan") to motivate our executive officers, including our Named Executive Officers, and other designated employees to achieve our short-term financial and operational objectives while making progress towards our longer-term growth and other goals. Consistent with our executive compensation philosophy, this annual cash incentive compensation is intended to help us deliver a competitive total direct compensation opportunity to our executive officers.

Under the Incentive Plan, our compensation committee or our board of directors establishes annual performance measures and related target levels applicable to any cash incentive compensation opportunity under the Incentive Plan each year. Performance objectives that involve our financial results may be determined in accordance with GAAP or may consist of non-GAAP financial measures, and any actual results may be adjusted by our compensation committee or our board of directors for one-time items or unbudgeted or unexpected items when determining whether the performance objectives have been met. Individual performance objectives may be established on the basis of any factors our compensation committee or our board of directors determines relevant, and may be adjusted on an individual, divisional, business unit, or Company-wide basis. The performance objectives may differ from participant to participant and from cash incentive compensation opportunity to cash incentive compensation opportunity.

Our compensation committee or our board of directors may, in its sole discretion and at any time, increase, reduce, or eliminate a participant's actual cash payment, and/or increase, reduce, or eliminate the amount of cash allocated for a particular performance period. The actual cash payment may be below, at, or above a participant's target cash incentive compensation opportunity, in our compensation committee's or our board of directors' sole discretion. Our compensation committee or our board of directors may determine the amount of any reduction or increase on the basis of such factors as it deems relevant, and it is not required

to establish any allocation or weighting with respect to the factors it considers. Actual cash incentive compensation is paid only after it is earned.

Our compensation committee and our board of directors have the authority to amend, alter, suspend, or terminate annual performance measures and related target levels, provided that such action does not impair the existing rights of any participant with respect to any earned cash incentive compensation.

Target Cash Incentive Compensation Opportunities

Our compensation committee or our board of directors reviews the performance of each executive officer, including each of our Named Executive Officers, relative to his or her target cash incentive compensation opportunity objectives at its regularly scheduled first quarter meeting. Based on this review, our compensation committee (with respect to each executive officer other than our Chief Executive Officer) or our board of directors determines and approves the cash payment for each of our eligible executive officers.

In January 2021, our compensation committee reviewed the annual target cash incentive compensation opportunities of our executive officers, taking into consideration the recommendations of our Chief Executive Officer (except with respect to his own annual target cash incentive compensation opportunity), as well as the other factors described above. Following its review, our compensation committee determined that an adjustment was necessary and appropriate only in the case of Ms. King to maintain the competitiveness of her target total cash compensation and decided to increase her annual target cash incentive compensation opportunity compared to her 2020 level, effective as of January 1, 2021.

Additionally, in January 2021, under the terms of the Incentive Plan, our compensation committee proposed, and in February 2021 our board of directors approved, annual performance measures and related target levels for potential 2021 cash incentive compensation for our executive officers (the “2021 Incentive Compensation Plan”). The 2021 Incentive Compensation Plan provided the eligible executive officers with an opportunity to receive cash incentive compensation in February 2022, subject to the achievement of corporate and individual performance objectives in 2021. As described in more detail below, as a result of our divestiture of the FireEye Products business in 2021, our board of directors revised the annual performance measures and related target levels under our 2021 Incentive Compensation Plan for 2021 cash incentive compensation.

In February 2021, our board of directors determined that no adjustment was necessary or appropriate with respect to Mr. Mandia’s annual target total cash incentive compensation opportunity.

In April 2021, our board of directors approved an annual target cash incentive compensation opportunity for Mr. Watters in connection with his appointment as President and Chief Operating Officer.

The annual target cash incentive compensation opportunities of our Named Executive Officers under the 2020 Incentive Compensation Plan were as follows:

Named Executive Officer	2020 Target Cash Incentive Compensation Opportunity	2021 Target Cash Incentive Compensation Opportunity	Amount Increase	Percentage Increase	2021 Target Cash Incentive Compensation Opportunity (as a percentage of ending 2021 annual base salary)
Mr. Bailey	\$225,000	\$225,000	—	—	56%
Ms. King	\$197,500	\$202,500	\$5,000	2.5%	50%
Mr. Mandia	\$440,000	\$440,000	—	—	100%
Mr. Robbins	\$380,000	\$380,000	—	—	80%
Mr. Verdecanna	\$246,000	\$246,000	—	—	60%
Mr. Watters ⁽¹⁾	—	\$600,000	—	—	100%

(1) Mr. Watters received an annual target cash incentive compensation opportunity in connection with his appointment

as President and Chief Operating Officer. Prior to that appointment, he served as a consultant and was not eligible for annual target cash incentive compensation.

Short-Term Incentive Compensation

Weighting of Target Cash Incentive Compensation Opportunities

Under the 2021 Incentive Compensation Plan, the target cash incentive compensation opportunities of our Named Executive Officers were weighted 70% to corporate performance objectives and 30% to individual performance objectives.

Our compensation committee determined these allocations to be appropriate to focus our executive officers on our short-term financial objectives as reflected in our annual operating plan while, at the same time, recognizing their contributions to the achievement of these objectives and the successful execution of their individual roles and responsibilities.

Corporate Performance Objectives

For 2021, our compensation committee selected ARR and free cash flow as the corporate performance measures for the 2021 Incentive Compensation Plan. (Free cash flow is a non-GAAP financial measure we define as net cash used in operating activities, the most directly comparable GAAP financial measure, less purchases of property and equipment.) Our compensation committee removed revenue as one of the corporate performance measures, since it added revenue as a corporate performance measure for the performance-based equity awards granted in 2021. Our compensation committee believed ARR and free cash flow performance measures were appropriate for our business because they provided a balance between recurring revenue, generating cash and growing our business, which it believes directly influences long-term stockholder value. At the same time, for both of these measures, our compensation committee established target performance levels that it believed would be challenging, but attainable, through the successful execution of our annual operating plan.

In January 2021, our compensation committee designed, and in February 2021 our board of directors approved, the corporate performance measures under the 2021 Incentive Compensation Plan based on ARR and free cash flow and weighted the two measures equally and our compensation committee established the target levels for the two corporate performance measures.

Under the 2021 Incentive Compensation Plan, our board of directors or our compensation committee could adjust the target or achievement levels for each corporate performance measure in the event a merger, acquisition or other unforeseeable future event occurred. In February 2022, our board of directors exercised such authority and adjusted the 2021 corporate performance measures targets, payout tables and calculation methodologies used for determining payouts under the 2021 Incentive Compensation Plan because, as a result of the divestiture of the FireEye Products business that closed on October 8, 2021, we did not have a full quarter of financial results for the FireEye Products business during Q4 2021 and we incurred divestiture costs which reduced our 2021 financial results, and therefore the individuals under the 2021 Incentive Compensation tied to our 2021 financial performance would be penalized unless the targets, payout tables and calculation methodologies were adjusted to take into account the divestiture.

Following the decision of our board of directors to adjust the corporate performance measures targets, for the portion of the payout under the 2021 Incentive Compensation Plan tied to our 2021 annual recurring revenue, the payout percentages were determined by (i) measuring our consolidated annual recurring revenue for the FireEye Products business and Mandiant Solutions business for Q1 2021, Q2 2021 and Q3 2021 (the “Q1 – Q3 2021 Consolidated ARR”) against the target of \$696.9 million in our 2021 annual operating plan for such combined businesses in such period to obtain the achievement percentage, then determining the applicable payout percentage associated with such achievement percentage pursuant to the annual recurring revenue payout table under the 2021 Cash Incentive Plan approved in February 2021, (ii) measuring our annual recurring revenue for the Mandiant Solutions business for Q4 2021 (“Q4 2021 Solutions ARR”) against the target of \$303.9 million in our 2021 annual operating plan for such business in Q4 2021 to obtain the achievement percentage, then determining the applicable payout percentage associated with such achievement percentage pursuant to the existing annual recurring revenue payout table under the 2021 Incentive Compensation Plan, and (iii) calculating the resulting total blended payout percentage for the annual

recurring revenue performance measure under the 2021 Incentive Compensation Plan by taking three quarters, or 75%, of the payout percentage for Q1 – Q3 2021 Consolidated ARR, plus one quarter, or 25%, of the payout percentage for Q4 2021 Solutions ARR. For the portion of the payout under the 2021 Incentive Compensation Plan tied to our 2021 free cash flow, the payout percentage were determined by (i) measuring our consolidated free cash flow for the FireEye Products business and Mandiant Solutions business for Q1 2021, Q2 2021 and Q3 2021 (the “Q1 – Q3 2021 Consolidated FCF”) against the target of \$6 million in our 2021 annual operating plan for such businesses in such period to obtain the achievement percentage, then determining the applicable payout percentage associated with such achievement percentage pursuant to the existing free cash flow payout table under the 2021 Cash Incentive Plan, (ii) measuring our free cash flow for the Mandiant Solutions business for Q4 2021 (“Q4 2021 Solutions FCF”), plus the costs of our divestiture of the FireEye Products business that reduced Q4 2021 Solutions FCF, against the target of \$39 million (which represented the portion of the consolidated \$75.7 million target in our 2021 annual operating plan determined by our board of directors to be allocated to such business in Q4 2021) to obtain the achievement percentage, then determining the applicable payout percentage associated with such achievement percentage pursuant to the existing free cash flow payout table under the 2021 Incentive Compensation Plan, and (iii) calculating the resulting total blended payout percentage for the free cash flow performance measure under the 2021 Cash Incentive Plan by taking three quarters, or 75%, of the payout percentage for Q1 – Q3 2021 Consolidated FCF, plus one quarter, or 25%, of the payout percentage for Q4 2021 Solutions FCF.

The weightings, initial and updated target levels for the corporate performance measures under the 2021 Incentive Compensation Plan were as follows:

Performance Measure	Initial Fiscal 2021 Target Level	Updated Fiscal 2021 Target Level	Percentage of 2020 Target Cash Incentive Compensation Opportunity
Annualized Recurring Revenue	\$736.56 million	Q1 – Q3 2021 Consolidated ARR: \$696.9 million Q4 2021 Solutions ARR: \$303.9 million	35%
Free cash flow	\$81.68 million	Q1 – Q3 2021 Consolidated FCF: \$6 million Q4 2021 Solutions FCF: \$39 million	35%

The actual cash payment with respect to each measure was to be determined independently, in accordance with the payout schedule for the measure. In February 2021, our board of directors established the target levels and payout schedules for the two corporate performance measures. In February 2022, in connection with updating the target level for the two corporate performance measures, our board of directors revised the target levels but not the payout structures for the two corporate performance measures. The payout schedules (each a “2021 Incentive Compensation Plan Payout Schedule”) are as follows:

Achievement Level of 2021 ARR	Payment Factor
105% or greater	150%
At least 101% but less than 105%	10:1 Addition from 101% to 105% achievement
At least 96% through 100%	10:1 Addition from 96% to 100% achievement
95%	50%
Less than 95%	0%
Achievement Level of 2021 Free Cash Flow	Payment Factor
150% or greater	150%
At least 101% but less than 150%	1:1 Addition from 101% to 150% achievement
At least 51% through 100%	1:1 Addition from 51% to 100% achievement
50%	50%
Less than 50%	0%

Individual Performance Objectives

In addition to the corporate performance objectives, the annual cash incentive compensation for our executive officers was also based on each executive officer's achievement against his or her individual performance objectives. The individual performance objectives for our Named Executive Officers were established by our compensation committee in discussions with our Chief Executive Officer (except with respect to his own individual performance objectives). The individual performance objectives could be quantitative or qualitative goals, depending on the organizational priorities for a given year, and typically focused on key departmental or operational objectives or functions. Most of these objectives were intended to provide a set of common goals that facilitated collaborative management and engagement, although our executive officers could also be assigned individual goals. These objectives set expectations for what our Chief Executive Officer and our compensation committee anticipated would be the means by which the individual component of cash incentive compensation were determined. In all cases, the individual performance objectives were intended to be challenging, but attainable, and designed to produce annual cash incentive payments that reflect meaningful performance requirements.

The individual performance objectives for our Named Executive Officers under the 2021 Incentive Compensation Plan were established at the beginning of 2021, were qualitative in nature and were closely linked to their roles at the time.

- *Mr. Bailey:* Mr. Bailey's specific goals included business strategy activities, and leading our transformational initiatives.
- *Ms. King:* Ms. King's specific goals included managing our privacy function, supporting our mergers and acquisition activity, managing our equity program, managing the legal function with respect to commercial, employment, IP, corporate and securities matters, and managing our government affairs function.
- *Mr. Mandia:* Mr. Mandia's specific goals included customer engagement activities, participating in media and press engagements, providing product strategy and vision overall, and other goals related to achieving our externally-communicated financial targets.
- *Mr. Robbins:* Mr. Robbins' specific goals included driving our global sales efforts, managing our sales, marketing and products functions, assisting with business planning activities, and customer engagement activities.
- *Mr. Verdecanna:* Mr. Verdecanna's specific goals included business planning activities, public financial reporting activities, investor relations activities, supporting our mergers and acquisition activity, and identifying additional opportunities for corporate performance optimization.
- *Mr. Watters:* Mr. Watters' specific goals included business planning activities, supporting our transformational initiatives, and identifying additional opportunities for corporate performance optimization.

The evaluation of our Chief Executive Officer under the 2021 Incentive Compensation Plan was based on an assessment by our board of directors (with our Chief Executive Officer not present at the meeting) against his individual performance objectives for the year. The evaluation of each of our other executive officers under the 2021 Incentive Compensation Plan was based on an assessment by our Chief Executive Officer against their respective individual performance objectives for the year and his desire to use the individual performance measure as a mechanism to limit the overall payout amounts given our above-target achievement of the corporate performance objectives for the year. Because our Chief Executive Officer is closest to the performance of the other executive officers, he determined if the individual performance objectives were met, how they were met and whether there were other objectives that were more relevant indicators of performance for that individual. Our Chief Executive Officer then made his recommendations about achievement for the individual performance objectives to our compensation committee and our board of directors, which they then took into consideration. Our compensation committee and our board of directors had complete discretion to accept our Chief Executive Officer's recommendation, or to increase, reduce, or eliminate this aspect of an executive officer's cash incentive compensation based on any factors they deemed relevant.

In February 2022, the level of achievement and payment associated with the individual performance objectives established for each executive officer (other than our Chief Executive Officer) were determined by our Chief Executive Officer and then submitted to our compensation committee and our board of directors for review and approval. Payments for the individual performance component of the 2021 Incentive Compensation Plan could be up to 150% of the portion of each executive officer's target cash incentive compensation opportunity allocated to individual performance.

2021 Performance Results and Award Decisions

In February 2022, our board of directors (with our sole non-independent director not present at the meeting and therefore not voting) determined the levels of our achievement, and corresponding payout levels pursuant to the 2021 Incentive Compensation Plan Payout Schedules, with respect to the corporate performance objectives under the 2021 Incentive Compensation Plan, and approved the following payout levels:

Corporate Performance Objective	2021 Target Level	Actual 2021 Achievement	Corresponding Payout Level	Approved Blended Payout Level
Annualized Recurring Revenue	Q1 – Q3 2021 Consolidated ARR: \$696.9 million	Q1 – Q3 2021 Consolidated ARR: \$684 million	80%	60%
	Q4 2021 Solutions ARR: \$303.9 million	Q4 2021 Solutions ARR: \$278.8 million	0%	
Free cash flow	Q1 – Q3 2021 Consolidated FCF: \$6 million	Q1 – Q3 2021 Consolidated FCF: \$72.8 million	150%	113%
	Q4 2021 Solutions FCF: \$39 million	Q4 2021 Solutions FCF: (\$27.5 million) ⁽¹⁾	0%	

(1) After adjusting for costs of our divestiture of the FireEye Products business that reduced free cash flow.

Also in February 2022, our board of directors determined (with our sole non-independent director not present at the meeting and therefore not voting) that the individual performance objectives had been attained at the following percentage levels:

Named Executive Officer	Individual Performance Objectives Attainment Level
Mr. Bailey	100%
Ms. King	100%
Mr. Mandia	95%
Mr. Robbins	100%
Mr. Verdecanna	100%
Mr. Watters	95%

Additionally, in February 2022, based on its review of our overall performance in 2021 against the corporate performance objectives and, to the extent applicable, the achievement of individual performance objectives of our Named Executive Officers as described above, our board of directors determined (with our sole non-independent director not present at the meeting and therefore not voting) to award cash payments under the 2021 Incentive Compensation Plan as follows to our Named Executive Officers:

Named Executive Officer	2021 Target Cash Incentive Compensation Opportunity	Amount Related to Corporate Financial Objectives	Amount Related to Individual Performance Objectives	Actual Cash Incentive Payment	Percentage of Target Cash Incentive Compensation Opportunity
Mr. Bailey	\$225,000	\$157,500	\$ 67,500	\$203,738	91%
Ms. King	\$202,500	\$141,750	\$ 60,750	\$183,364	91%
Mr. Mandia	\$440,000	\$308,000	\$132,000	\$391,820	89%
Mr. Robbins	\$380,000	\$266,000	\$114,000	\$344,090	91%
Mr. Verdecanna	\$246,000	\$172,200	\$ 73,800	\$222,753	91%
Mr. Watters ⁽¹⁾	\$445,480	\$311,836	\$133,644	\$396,699	89%

(1) The payment to Mr. Watters was pro-rated to reflect his time of service in his current position.

The cash amounts paid to our Named Executive Officers under the 2021 Incentive Compensation Plan are set forth in the “Summary Compensation Table for Fiscal Year 2021” below under the heading “Non-Equity Incentive Plan Compensation.”

Discretionary Cash Bonus

In March 2021, at the request of our Chief Executive Officer, our compensation committee awarded a discretionary cash bonus to Ms. King in an amount of \$50,000, payable to her in March 2021, in recognition of her exemplary individual performance supporting us with the security incident we announced in December 2020.

Long-Term Incentive Compensation

We believe that if our executive officers own shares of our common stock in amounts that are significant to them, they will have an incentive to act to maximize long-term stockholder value. As discussed in the section “Other Compensation Policies” below, we use stock ownership guidelines to complement our long-term incentive compensation arrangements, so our executive officers maintain a strong link to the interests of our stockholders and to the movements in our stock price. We also believe that long-term incentive compensation in the form of equity awards is an integral component of our efforts to attract and retain exceptional executive officers. In the past seven years, we have relied on RSU awards that may be settled for shares of our common stock and PSU awards pursuant to which shares of our common stock may be earned as the principal vehicles for delivering long-term incentive compensation opportunities to our executive officers. We believe this approach enables us to attract and retain key talent in our industry and aligns our executive team’s interests with the long-term interests of our stockholders.

Generally, in determining the size of the equity awards granted to our executive officers, our compensation committee or our board of directors, as applicable, takes into consideration the recommendations of our Chief Executive Officer (except with respect to his own equity awards), as well as the factors described above. Our compensation committee or our board of directors, as applicable, also considers the dilutive effect of our long-term incentive compensation practices, and the overall impact that these equity awards, as well as awards to other employees, will have on stockholder value.

2021 Awards

In February 2021, our board of directors granted equity awards to our Named Executive Officers (other than Mr. Watters), in recognition of our achievements and their individual performance for 2020 and, in the case of our Chief Executive Officer, his continued effectiveness in overseeing the efforts of our executive officers to achieve our short-term and long-term business objectives. In determining the amount of the equity awards for our Named Executive Officers (other than our Chief Executive Officer and Mr. Watters), our board of directors took into consideration the recommendations of our Chief Executive Officer, as well as the factors described above. With respect to the equity awards for our Chief Executive Officer, our board of directors took into consideration the factors described above and determined that, given his responsibilities and importance to us, our Chief Executive Officer’s equity awards should be larger than the awards of the

other executive officers to reflect his greater role and responsibilities. Our board of directors also considered the existing equity holdings of our Named Executive Officers, including the current economic value of their unvested equity awards and the ability of these unvested holdings to satisfy our retention objectives.

In April 2021, our compensation committee granted equity awards to Mr. Watters in connection with his appointment as our President and Chief Operating Officer.

The equity awards granted to our Named Executive Officers in February 2021 and April 2021 consisted of both RSU and PSU awards, and the total number of shares of our common stock underlying all of the RSU awards and the target and maximum number of shares of our common stock underlying all of the PSU awards granted in 2021 were as follows:

Named Executive Officer	Month Award Granted	RSU Awards Number of Shares	PSU Awards	
			Target Number of Shares under PSU Awards	Maximum Number of Shares (assuming overachievement)
Mr. Bailey	February 2021	80,000	80,000	120,000
Ms. King	February 2021	57,500	57,500	86,250
Mr. Mandia	February 2021	160,000	160,000	240,000
Mr. Robbins	February 2021	80,000	80,000	120,000
Mr. Verdecanna	February 2021	80,000	80,000	120,000
Mr. Watters	April 2021	225,000	225,000 ⁽¹⁾ 300,000 ⁽²⁾	337,500 300,000

(1) This PSU award is described in more detail below as the “Revenue and Operating Income PSU Award.”

(2) This PSU award is described in more detail below as the “Stock Price PSU Award.”

— *Details of 2021 Awards Granted to Named Executive Officers (other than Mr. Watters)*

The RSU awards granted to our Named Executive Officers (other than Mr. Watters) in 2021 were subject to a time-based vesting requirement. Pursuant to this vesting requirement, the shares of our common stock subject to the RSU awards will vest quarterly in 16 generally equal installments, with the first vesting date on May 15, 2021, in each case subject to the executive officer’s continued service with us through the applicable vesting date.

The PSU awards granted to our Named Executive Officers (other than Mr. Watters) in 2021 were subject to both performance conditions and time-based vesting requirements, and had three components:

- 40% of the target number of shares of our common stock that could be earned under each PSU award was based on our revenue performance over three separate consecutive annual performance periods (e.g., for the 40% portion, 1/3 was tied to 2021 performance, 1/3 was tied to 2022 performance and 1/3 was tied to 2023 performance), with any shares earned for a performance period vesting in the February following the completion of that performance period (so that the 40% portion, to the extent earned, will vest 1/3 per year), subject to the executive officer’s continued service with us through the applicable vesting date.
- 40% of the target number of shares of our common stock that could be earned under each PSU award was based on our non-GAAP operating income performance over three separate consecutive annual performance periods (e.g., for the 40% portion, 1/3 was tied to 2021 performance, 1/3 was tied to 2022 performance and 1/3 was tied to 2023 performance), with any shares earned for a performance period vesting in the February following the completion of that performance period and determination of the performance results by our compensation committee (so that the 40% portion, to the extent earned, will vest 1/3 per year), subject to the executive officer’s continued service with us through the applicable vesting date.
- 20% of the target number of shares of our common stock that could be earned under each PSU award was based on a relative Total Shareholder Return (“rTSR”) performance measure. The rTSR measure

is based on our stock performance relative to the stock performance of companies in the Russell 2000 Index over a three-year performance period (2021 – 2023). Any shares earned will vest shortly after the completion of the performance period (so that the 20% portion, to the extent earned, will vest on February 2024), subject to the executive officer's continued service with us through the vesting date.

The following table summarizes the performance measures and related target share percentages by performance period underlying the PSU awards granted to our Named Executive Officers (other than Mr. Watters) in 2021:

Performance Measure	Target Number of Shares under PSU Awards Tied to 2021 Performance	Target Number of Shares under PSU Awards Tied to 2022 Performance	Target Number of Shares under PSU Awards Tied to 2023 Performance	Target Number of Shares under PSU Awards Tied to rTSR for 2021-2023	Total
Revenue	13 ¹ / ₃ %	13 ¹ / ₃ %	13 ¹ / ₃ %	—	40%
Non-GAAP operating income ⁽¹⁾	13 ¹ / ₃ %	13 ¹ / ₃ %	13 ¹ / ₃ %	—	40%
Relative Total Shareholder Return	—	—	—	20%	20%
Total	26²/₃%	26²/₃%	26²/₃%	20%	100%

- (1) We define non-GAAP operating income (loss) as operating income (loss) excluding stock-based compensation expense, amortization of stock-based compensation expense capitalized in software development costs, amortization of intangible assets, acquisition-related expenses, transformation and transition expense, restructuring charges, and other special or non-recurring items.

Pursuant to the performance conditions under each PSU award granted to our Named Executive Officers (other than Mr. Watters) in 2021, the number of shares of our common stock that could be earned with respect to a performance measure for a performance year or three-year performance period, as applicable, was based on pre-established threshold, target, and maximum performance levels for such performance measure for such performance year or three-year performance period, as applicable.

The PSU awards granted to our Named Executive Officers (other than Mr. Watters) in 2021 provided that, for the performance period commencing on January 1, 2021 and ending on December 31, 2021, the number of shares of our common stock earned with respect to the 2021 revenue performance measure or the 2021 non-GAAP operating income performance measure would be determined independently, in accordance with the following payout schedules (the “2021 PSU Payout Schedules”):

Achievement Level of 2021 Revenue	Payment Factor
105% or greater	150%
At least 101% but less than 105%	10:1 Addition from 101% to 105% achievement
At least 96% through 100%	10:1 Addition from 96% to 100% achievement
95%	50%
Less than 95%	0%
Achievement Level of 2021 Non-GAAP Operating Income	Payment Factor
150% or greater	150%
At least 101% but less than 150%	1:1 Addition from 101% to 150% achievement
At least 76% through 100%	2:1 Addition from 76% to 100% achievement
At least 51% through 75%	1:1 Addition from 51% to 75% achievement
50%	25%
Less than 50%	0%

In March 2021, our compensation committee established the following target achievement levels (the “2021 PSU Target Achievement Levels”) for the 2021 performance measures under the PSU award granted to our Named Executive Officers (other than Mr. Watters):

2021 Performance Measure	Fiscal 2021 Target Achievement Level
Revenue	\$1,032,626,000
Non-GAAP operating income	\$ 105,000,000

The PSU awards granted to our Named Executive Officers (other than Mr. Watters) in 2021 further provided that, for the three-year performance period commencing on January 1, 2021 and ending on December 31, 2023, the number of shares of our common stock earned with respect to the rTSR performance measure would be determined independently, in accordance with the following payout schedule (the “rTSR Payout Schedule”):

3-Year (2021-2023) rTSR Performance Relative to Indexed Companies	Payment Factor*
At or above 75 th percentile	150%
55 th percentile	100%
At or below 25 th percentile	0%

* Payment factor is capped at 100% if rTSR is negative. Payment factor with respect to achievement between percentile thresholds is determined based on linear interpolation.

— *Details of 2021 Awards Granted to Mr. Watters*

The RSU award granted to Mr. Watters in April 2021 was subject to a time-based vesting requirement. Pursuant to this vesting requirement, one-fourth of the shares of our common stock subject to the RSU award vested on February 15, 2022, and the remaining shares subject to the RSU award will vest quarterly thereafter in 12 generally equal installments, in each case subject to Mr. Watters’ continued service with us through the applicable vesting date.

The PSU awards granted to Mr. Watters in April 2021 were subject to both performance conditions and time-based vesting requirements, and had four components:

- 50% of the target number of shares of our common stock that could be earned under the Revenue and Operating Income PSU Award was based on our revenue performance over three separate consecutive annual performance periods (e.g., for the 50% portion, 1/3 was tied to 2021 performance, 1/3 was tied to 2022 performance, and 1/3 was tied to 2023 performance), with any shares earned for a performance period vesting in the February following the completion of that performance period (so that the 50% portion, to the extent earned, will vest 1/3 per year), subject to Mr. Watters’ continued service with us through the applicable vesting date.
- 50% of the target number of shares of our common stock that could be earned under the Revenue and Operating Income PSU Award was based on our non-GAAP operating income performance over three separate consecutive annual performance periods (e.g., for the 50% portion, 1/3 was tied to 2021 performance, 1/3 was tied to 2022 performance, and 1/3 was tied to 2023 performance), with any shares earned for a performance period vesting in the February following the completion of that performance period and determination of the performance results by our compensation committee (so that the 50% portion, to the extent earned, will vest 1/3 per year), subject to Mr. Watters’ continued service with us through the applicable vesting date.
- 100% of the target number of shares of our common stock that could be earned under the Stock Price PSU Award was based on our achievement of four specified prices per share (e.g. 1/3 was tied to our attainment of a 30-day average stock price of \$25, 1/3 was tied to our attainment of a 10-day average stock price of \$30, 1/6 was tied to our attainment of a 10-day average stock price of \$35, and 1/6 was tied to our attainment of a 10-day average stock price of \$40), with any shares earned with respect to a specified price per share vesting upon achievement.

The Revenue and Operating Income PSU Award provided that, for the performance period commencing on January 1, 2021 and ending on December 31, 2021, the number of shares of our common stock earned with respect to the 2021 revenue performance measure or the 2021 non-GAAP operating income performance

measure would be determined independently, in accordance with the 2021 PSU Payout Schedules and measured against the 2021 PSU Target Achievement Levels.

— *Payout of 2021 PSU Awards for 2021 Performance*

In February 2022, our board of directors adjusted the revenue and non-GAAP operating income targets, payout tables and calculation methodologies used for determining payouts under all PSU awards eligible to be earned with respect to 2022 because, as a result of the divestiture of the FireEye Products business that closed on October 8, 2021, we did not have a full quarter of financial results for the FireEye Products business during Q4 2021 and we incurred divestiture costs which reduced our 2021 financial results, and therefore the individuals holding PSU awards tied to our 2021 financial performance would be penalized unless the targets, payout tables and calculation methodologies were adjusted to take into account the divestiture.

Following the decision of our board of directors to adjust the corporate performance measures targets, for the portion of the payout under the PSU awards tied to our 2021 revenue, the payout percentage was determined by (i) measuring our consolidated revenue for the FireEye Products business and Mandiant Solutions business for Q1 2021, Q2 2021 and Q3 2021 (“Q1 – Q3 2021 Consolidated Revenue”), plus our revenue for the Mandiant Solutions business for Q4 2021 (“Q4 2021 Solutions Revenue”) against the target of \$892 million (derived from the target of \$750.4 million in our 2021 annual operating plan for such combined businesses for Q1 – Q3 2021 plus the target of \$141.6 million in our 2021 annual operating plan for the Mandiant Solutions businesses for Q4 2021) to obtain the achievement percentage and (ii) taking the applicable payout percentage associated with such achievement percentage pursuant to the existing revenue payout table under such PSUs as the payout percentage for the 2021 revenue performance measure. For the portion of the payout under the PSUs tied to our 2021 non-GAAP operating income, the payout was determined by (i) measuring our consolidated non-GAAP operating income for the FireEye Products business and Mandiant Solutions business for Q1 2021, Q2 2021 and Q3 2021 (“Q1 – Q3 2021 Consolidated Non-GAAP Operating Income”), plus our non-GAAP operating income for the Mandiant Solutions business for Q4 2021 (“Q4 2021 Solutions Non-GAAP Operating Income”), plus the costs of our divestiture of the FireEye Products business that reduced Q1 – Q3 2021 Consolidated Non-GAAP Operating Income and Q4 2021 Solutions Non-GAAP Operating Income, against the target of \$72.2 million (derived from the target of \$64.5 million in our 2021 annual operating plan for such combined businesses for Q1 – Q3 2021 plus the target of \$7.7 million in our 2021 annual operating plan for the Mandiant Solutions businesses for Q4 2021) to obtain the achievement percentage and (ii) taking the applicable payout percentage associated with such achievement percentage pursuant to the existing non-GAAP operating income payout table under such PSUs as the payout percentage for the 2021 non-GAAP operating income performance measure. The adjusted methodology is referred to below as the “Adjusted PSU Methodology.”

In February 2022, our board of directors determined that, based on the Adjusted PSU Methodology, the Q1 – Q3 2021 Consolidated Revenue was achieved at \$749.1 million and the Q4 2021 Solutions Revenue was achieved at \$132.9 million, equating to 90% of the target number of shares of our common stock being earned pursuant to the performance requirements for the portions of the 2021 PSU awards tied to 2021 revenue performance. Our board of directors also determined that, based on the Adjusted PSU Methodology, the Q1 – Q3 2021 Consolidated Non-GAAP Operating Income was achieved at \$70.1 million, the Q4 2021 Solutions Non-GAAP Operating Income was achieved at negative \$22.1 million, and the costs of our divestiture of the FireEye Products business that reduced Q1 – Q3 2021 Consolidated Non-GAAP Operating Income and Q4 2021 Solutions Non-GAAP Operating Income was \$40.6 million, equating to 123% of the target number of shares of our common stock being earned pursuant to the performance requirements for the portions of the 2021 PSU awards tied to 2021 non-GAAP operating income performance. These achievement levels are described below as the “Adjusted PSU Achievement.” The blended payout for both measures represented 106.5% of the target number of shares of our common stock under such portions of the PSU awards being earned.

The following table sets forth the number of shares earned and approved for settlement and release for the portion of the PSU awards granted in 2021 to our Named Executive Officers that were tied to 2021 performance:

Named Executive Officer	Month Award Granted	Target Number of Shares under 2021 PSU Awards Tied to 2021 Revenue Performance and 2020 Non-GAAP Operating Income Performance	Approved Payout Level for 2021 PSU Awards Tied to 2021 Revenue Performance and 2021 Non-GAAP Operating Income Performance	Actual Number of Shares Approved for Release under 2021 PSU Awards Tied to 2021 Revenue Performance and 2021 Non-GAAP Operating Income Performance
Mr. Bailey	February 2021	21,332	106.5%	22,718
Ms. King	February 2021	15,332	106.5%	16,328
Mr. Mandia	February 2021	42,666	106.5%	45,438
Mr. Robbins	February 2021	21,332	106.5%	22,718
Mr. Verdecanna	February 2021	21,332	106.5%	22,718
Mr. Watters	April 2021	75,000	106.5%	79,875

The equity awards granted in 2021 to our Named Executive Officers are set forth in the “Summary Compensation Table for Fiscal Year 2021” and the “Grants of Plan-Based Awards Table for Fiscal Year 2021” below.

2020 PSU Awards

In 2020, our board of directors granted PSU awards to our Named Executive Officers. Pursuant to the performance condition under each 2020 PSU award (other than the 2020 PSU award granted to Mr. Bailey), 62.5% of the number of shares of our common stock that could be earned for the 2021 performance year was based on pre-established threshold, target, and maximum performance levels for our billings in 2021, and 37.5% of the number of shares of our common stock that could be earned for the 2020 performance year was based on pre-established threshold, target, and maximum performance levels for our non-GAAP operating income in 2021. Pursuant to the performance condition under the 2020 PSU award granted to Mr. Bailey, 50% of the number of shares of our common stock that could be earned for the 2021 performance year was based on pre-established threshold, target, and maximum performance levels for our billings in 2021, and 50% of the number of shares of our common stock that could be earned for the 2021 performance year was based on pre-established threshold, target, and maximum performance levels for our non-GAAP operating income in 2021. Mr. Watters was also granted a 2019 PSU award, but that award was forfeited by him when he departed the Company in April 2020. As noted above, he later rejoined us in April 2021. In January 2021, our compensation committee amended the outstanding 2020 PSU awards so that the performance condition related to billings was replaced with a revenue performance condition.

Each 2020 PSU award provided that, for the 2021 performance year, the number of shares earned would be determined in accordance with the 2021 PSU payout schedules and measured against the 2021 PSU target achievement levels. Pursuant to the vesting requirement, the 2020 PSU award provided that the shares earned for the 2021 performance year would vest in February 2022, subject to the applicable executive officer’s continued service with us through the vesting date.

In February 2022, our board of directors determined, based on the Adjusted PSU Methodology, that achievement of the revenue and non-GAAP operating income performance measures under the 2020 PSU awards had been obtained at the Adjusted PSU Achievement. The blended payout for both measures represented 106.5% of the target number of shares of our common stock under such portions of the PSU awards being earned.

The following table sets forth the number of shares earned and approved for settlement and release for the portion of the PSU awards granted in 2020 to our Named Executive Officers that were tied to 2021 performance:

Named Executive Officer	Target Number of Shares under 2020 PSU Awards Tied to 2021 Revenue Performance and 2021 Non-GAAP Operating Income Performance	Approved Payout Level for 2020 PSU Awards Tied to 2021 Revenue Performance and 2021 Non-GAAP Operating Income Performance	Actual Number of Shares Approved for Release under 2020 PSU Awards Tied to 2021 Revenue Performance and 2021 Non-GAAP Operating Income Performance
Mr. Bailey	25,000	106.5%	26,625
Ms. King	16,667	106.5%	17,062
Mr. Mandia	53,333	106.5%	54,599
Mr. Robbins	40,000	106.5%	40,949
Mr. Verdecanna	23,333	106.5%	23,886

2019 PSU Awards

In February 2019, our board of directors granted PSU awards to our Named Executive Officers (other than Mr. Bailey, who was not an employee at the time). Pursuant to the performance condition under each 2019 PSU award, 17% of the number of shares of our common stock originally subject to the award could be earned for the 2021 performance year based on pre-established threshold, target, and maximum performance levels for our billings in 2021, 10% of the number of shares of our common stock originally subject to the award could be earned for the 2021 performance year based on pre-established threshold, target, and maximum performance levels for our non-GAAP operating income in 2021, and 20% of the number of shares of our common stock originally subject to the award could be earned for the 2019-2021 performance period based on pre-established threshold, target and maximum performance levels against our stock performance relative to the stock performance of companies in the Russell 2000 Index over such three-year performance period. Mr. Watters was also granted a 2020 PSU award, but that award was forfeited by him when he departed the Company in April 2020. As noted above, he later rejoined us in April 2021. In January 2021, our compensation committee amended the outstanding 2019 PSU awards so that the performance condition related to billings was replaced with a revenue performance condition.

Each 2019 PSU award provided that, for the 2021 performance year, the number of shares earned with respect to the revenue and non-GAAP operating income performance measures would be determined in accordance with the 2021 PSU payout schedules and measured against the 2021 PSU target achievement levels. Pursuant to the vesting requirement, the 2019 PSU award provided that the shares earned for the 2021 performance year with respect to the revenue and non-GAAP operating income performance measures would vest in February 2022, subject to the applicable executive officer's continued service with us through the vesting date.

Each 2019 PSU award provided that, for the 2019-2021 performance years, the number of shares earned with respect to the rTSR performance measure, would be determined in accordance with the rTSR Payout Schedule and measured against the actual relative total shareholder return for such performance period. Pursuant to the vesting requirement, the 2019 PSU award provided that the shares earned for the rTSR measure would vest in February 2022, subject to the applicable executive officer's continued service with us through the vesting date.

In February 2022, our board of directors determined, based on the Adjusted PSU Methodology, that achievement of the revenue and non-GAAP operating income performance measures under the 2019 PSU awards had been obtained at the Adjusted PSU Achievement. The blended payout for both measures represented 102.4% of the target number of shares of our common stock under such portions of the PSU awards being earned.

Our board of directors also determined that the 2019-2021 rTSR performance measure under the 2019 PSU awards was achieved at the 32.11th percentile (determined by our absolute ranking among the peers for the rTSR measure being 1,149 out of 1,692, based on our actual total shareholder return being negative 2.46%), equating to 23.7% of the target number of shares of our common stock being earned pursuant to the performance requirements for the portions of the 2019 PSU awards tied to 2019-2021 rTSR performance.

The following table sets forth the number of shares earned and approved for settlement and release, and the corresponding number of shares cancelled, for the portion of the PSU awards granted in 2019 to our Named Executive Officers that were tied to 2021 performance:

Named Executive Officer	Target Number of Shares under 2019 PSU Awards Tied to 2021 Revenue Performance and 2021 Non-GAAP Operating Income Performance	Approved Payout Level for 2019 PSU Awards Tied to 2021 Revenue Performance and 2021 Non-GAAP Operating Income Performance	Actual Number of Shares Approved for Release under 2019 PSU Awards Tied to 2021 Revenue Performance and 2021 Non-GAAP Operating Income Performance
Ms. King	18,000	102.4%	18,427
Mr. Mandia	50,000	102.4%	51,187
Mr. Robbins	30,000	102.4%	30,712
Mr. Verdecanna	28,667	102.4%	29,347

The following table sets forth the number of shares earned and approved for settlement and release, and the corresponding number of shares cancelled, for the portion of the PSU awards granted in 2019 to our Named Executive Officers that were tied to rTSR performance for the 2019-2021 period:

Named Executive Officer	Target Number of Shares under 2019 PSU Awards Tied to 2019-2021 Total Shareholder Return Performance	Approved Payout Level for 2019 PSU Awards Tied to 2019-2021 Total Shareholder Return Performance	Actual Number of Shares Approved for Release under 2019 PSU Awards Tied to 2019-2021 Total Shareholder Return Performance
Ms. King	13,500	23.7%	3,199
Mr. Mandia	37,500	23.7%	8,887
Mr. Robbins	22,500	23.7%	5,332
Mr. Verdecanna.. . . .	21,500	23.7%	5,095

Welfare and Health Benefits

We maintain a tax-qualified retirement plan (the “Mandiant 401(k) plan”) under Section 401(k) of the Internal Revenue Code (the “Code”) for our executive officers and other employees who satisfy certain eligibility requirements, including requirements relating to age and length of service. The Mandiant 401(k) plan provides eligible employees with an opportunity to save for retirement on a tax-advantaged basis. This plan is intended to qualify under Sections 401(a) and 501(a) of the Code so that contributions by employees to the plan, and income earned on plan contributions, are not taxable to employees until distributed from the plan. In addition, all contributions are deductible by us when made.

All participants’ interests in their deferrals are 100% vested when contributed under the Mandiant 401(k) plan. Pre-tax contributions are allocated to each participant’s individual account and are then invested in selected investment alternatives according to the participants’ directions. In 2019, we made no matching contributions into the Mandiant 401(k) plan.

In addition, we provide other benefits to our executive officers on the same basis as all of our full-time employees. These benefits include health, dental and vision benefits, health and dependent care flexible spending accounts, short-term and long-term disability insurance, accidental death and dismemberment insurance, and basic life insurance coverage. We also provide flexible time off and other paid holidays to all employees, including our executive officers. We do not offer our employees a non-qualified deferred compensation plan or defined benefit pension plan.

We design our employee benefits programs to be affordable and competitive in relation to the market, as well as compliant with applicable laws and practices. We adjust our employee benefits programs as needed based upon regular monitoring of applicable laws and practices, the competitive market and our employees’ needs.

Perquisites and Other Personal Benefits

Currently, we do not view perquisites or other personal benefits as a significant component of our executive compensation program. Accordingly, we do not provide perquisites to our executive officers, except in situations where we believe it is appropriate to assist an individual in the performance of his or her duties, to make our executive officers more efficient and effective, for recruitment and retention purposes, or consistent with benefits provided to our other full-time employees. For example, we may ask executive officers and their spouses to participate in our annual President's Club events offered as rewards to certain other employees for excellent sales or other performance. We treat the expenses of spouses as taxable income to the executive officers. Because spousal participation is at our request and can be disruptive to other plans they may have, we provide a tax "gross up" payment on that imputed income.

In the future, we may provide perquisites or other personal benefits to our executive officers in limited circumstances, such as where we believe it is appropriate to assist an individual executive officer in the performance of his or her duties, to make our executive officers more efficient and effective, for recruitment, motivation or retention purposes, or consistent with benefits provided to our other full-time employees. We do not expect that these perquisites or other personal benefits will be a significant aspect of our executive compensation program. All future practices with respect to perquisites or other personal benefits will be approved and subject to periodic review by our compensation committee.

Employment Arrangements

We have entered into written employment offer letters with each of our Named Executive Officers. Each of these arrangements was approved on our behalf by our board of directors or our compensation committee, as applicable. We believe that these arrangements were appropriate to induce these individuals to forego other employment opportunities or leave their current employer for the uncertainty of a demanding position in a new and unfamiliar organization.

In filling these executive positions, our board of directors or our compensation committee, as applicable, was aware that it would be necessary to recruit candidates with the requisite experience and skills to manage a growing business in a dynamic and ever-changing industry. Accordingly, it recognized that it would need to develop competitive compensation packages to attract qualified candidates in a highly-competitive labor market. At the same time, our board of directors or our compensation committee, as applicable, was sensitive to the need to integrate new executive officers into the executive compensation structure that it was seeking to develop, balancing both competitive and internal equity considerations.

Each of these employment offer letters provides for "at will" employment and sets forth the initial compensation arrangements for our Named Executive Officer, including an initial base salary, an annual target cash incentive compensation opportunity, and, in some instances, a recommendation for an equity award.

Post-Employment Compensation

Prior to July 2013, the employment offer letters that we entered into with certain of our executive officers provided for certain payments and benefits in the event of their termination of employment under specified circumstances, including following a change in control of the Company. We believed that these arrangements were significant factors in the recruitment of these executive officers and would help these individuals maintain continued focus and dedication to their responsibilities to help maximize stockholder value if there was a potential transaction that could involve a change in control of the Company.

In July 2013, our compensation committee adopted a Change of Control Severance Policy for Officers (the "Severance Policy"), a standardized approach for the payment of severance and change in control benefits to our executive officers. Under the Severance Policy, the rights of our executive officers upon an involuntary termination of employment, including an involuntary termination of employment following a change in control of the Company, were established on a uniform basis. In addition, the post-employment compensation and benefits of our executive officers were established separately from their other compensation elements. The Severance Policy is applicable to all new executive officers hired since July 2013. In addition, our executive officers were given the opportunity to waive the existing severance and change in control protections in their employment offer letters in favor of the Severance Policy. Ms. King, our only Named Executive Officer who

was an executive officer at July 2013, agreed to relinquish the severance payments and benefits otherwise provided in her employment offer letter in exchange for eligibility to receive payments and benefits under the Severance Policy.

We believe the Severance Policy serves several objectives. First, it eliminates the need to negotiate separation payments and benefits on a case-by-case basis. It also helps assure an executive officer that his or her severance payments and benefits are comparable to those of other executive officers with similar levels of responsibility. Further, it acts as an incentive for our executive officers to remain employed and focused on their responsibilities during the threat or negotiation of a change-in-control transaction, which we believe will help preserve our value and the potential benefit to be received by our stockholders in any such transaction. Finally, the Severance Policy is easier for us to administer, as it requires less time and expense.

The Severance Policy contemplates that the payments and benefits in the event of a change in control of the Company are payable only upon a “double trigger”; that is, only following a change in control and a qualifying termination of employment, including a termination of employment without cause or a resignation for good reason, and in each case requires that the executive officer execute a general release of claims in favor of the Company. In addition, the Severance Policy provides payments and benefits to our executive officers for qualified terminations of employment unrelated to a change in control of the Company.

For a summary of the material terms and conditions of the Severance Policy, as well as an estimate of the potential payments and benefits that our Named Executive Officers would have been eligible to receive if a hypothetical change in control or other trigger event had occurred on December 31, 2021, see the sections titled “— Change of Control Severance Policy for Officers” and “— Potential Payments upon a Change of Control, upon Termination or upon Termination Following a Change of Control” below.

Other Compensation Policies

Stock Ownership Guidelines

We believe that stock ownership by our executive officers and the non-employee members of our board of directors is important to link the risks and rewards inherent in stock ownership of these individuals and our stockholders. Our board of directors has adopted formal stock ownership guidelines that require our executive officers and the non-employee members of our board of directors (other than the Series A Director, who does not receive compensation from the Company for his service on our board of directors) to own a minimum number of shares of our common stock. These mandatory ownership levels are intended to create a clear standard that ties a portion of these individuals’ economic interests to the performance of our stock price. Compliance is evaluated on an annual basis, as determined by our compensation committee, and not on an ongoing basis. Shares of our common stock underlying time-based RSU awards, shares of our common stock that have been earned under PSU awards, and the shares of our common stock subject to vested stock options (on a net exercise basis) count toward meeting the requirements. The current required ownership levels are as follows:

Individual Subject to Ownership Guidelines	Minimum Required Level of Stock Ownership
Chief Executive Officer	6x base salary
Other Executive Officers	1x base salary
Non-employee members of board of directors (other than the Series A Director)	3x annual retainer

During any year in which an individual’s required ownership level is not met, he or she is required to retain at least 50% of the net shares following the exercise of stock options, the vesting of RSU awards or the vesting of PSU awards until the required ownership level has been met. The guidelines provide that in the event the annual retainer (or any portion thereof) is paid to a non-employee member of our board of directors in equity instead of cash, the annual retainer (or applicable portion thereof) means the grant date fair value of the annual equity award (or applicable portion thereof) for regular service on our board of directors.

In April 2022, our compensation committee evaluated executive officer and director compliance with the guidelines for 2021 and determined that our Chief Executive Officer, each of our other executive officers and six non-employee members of our board of directors had satisfied his or her required stock ownership level.

Ms. Andrews, who is a non-employee member of our board of directors, is within a grace period, defined as five years from the date of first becoming subject to the guidelines, and, thus, is still in the process of satisfying her required stock ownership level. Mr. Patel is not subject to the stock ownership guidelines because he is the Series A Director and does not receive compensation from us for his service on our board of directors.

Clawback Policy

Our board of directors has adopted a clawback policy allowing it to require the repayment or forfeiture of all or part of any performance-based cash incentive compensation, performance-based equity award or other performance-based award paid or granted to our executive officers where the payment, grant or vesting of such compensation or award was based on the achievement of financial results that were subsequently the subject of a financial restatement and where the restatement was intended to correct the result of fraud or intentional misconduct. This policy only applies to current and former executive officers subject to the reporting requirements of Section 16 of the Exchange Act who were involved in the fraud or misconduct. In addition to the foregoing, our Chief Executive Officer and our Chief Financial Officer are subject to the compensation recovery provisions of Section 304 of the Sarbanes-Oxley Act.

Equity Award Grant Policy

We maintain an Equity Award Grant Policy that provides the following guidelines to be observed by our compensation committee and our board of directors when granting equity awards under the Company's equity compensation plans:

- Any equity awards granted by our compensation committee to our Chief Executive Officer are subject to the ratification of our board of directors (with any non-independent directors abstaining from the vote).
- Generally, equity awards for new hires will be granted on a monthly basis. An equity award granted to a new hire may not have a grant date prior to such individual's first date of bona fide employment or service.
- Our compensation committee, our board of directors, and/or the Equity Award Committee (a committee, consisting of our Chief Financial Officer and our General Counsel, to which our compensation committee has delegated non-exclusive authority to grant equity awards to employees below Vice President level where the award falls within prescribed guidelines approved by our compensation committee) has the authority to grant occasional retention, promotion, or merit equity awards during the year in a manner that is consistent with the terms of this policy.
- Equity awards should not be timed in relation to the release of material non-public information, and it is the intent of the policy to specify the timing of effectiveness of equity award grants to avoid such timing.

Under our current equity compensation plan, the exercise price of any option to purchase shares of our common stock may not be less than the fair market value of our common stock on the date of grant.

Derivatives Trading, Hedging, and Pledging Policies

Our insider trading policy prohibits short sales, hedging and transactions in derivatives of Mandiant securities for all Mandiant personnel, including directors, officers, employees, independent contractors and consultants. In addition, our insider trading policy prohibits our executive officers and the non-employee members of our board of directors from pledging their equity securities or using such securities as collateral for a loan.

Risk Assessment and Compensation Practices

Our management assesses and discusses with our compensation committee our compensation policies and practices for our employees as they relate to our risk management, and based upon this assessment, we believe that, for the following reasons, any risks arising from such policies and practices are not reasonably likely to have a material adverse effect on us in the future:

- Our annual incentive plan considers a multiple of corporate and individual performance factors and allows our compensation committee to review performance on a holistic basis minimizing risk related to our short-term variable compensation; and
- Our equity awards include multi-year vesting and/or performance schedules requiring a long-term employee commitment.

Tax and Accounting Considerations

Deductibility of Executive Compensation

Section 162(m) of the Code limits the amount of compensation that we may deduct in any one year for compensation paid to the Chief Executive Officer and certain other highly compensated executive officers (including the Chief Financial Officer for compensation earned after 2017) to \$1 million. While our compensation committee considers the deductibility of compensation as a factor in making compensation decisions, our compensation committee retains the flexibility to provide compensation that is consistent with our goals for our executive compensation program even if such compensation is not fully tax deductible. Accordingly, our compensation committee may make decisions that result in compensation expense that is not fully deductible under Section 162(m) of the Code.

Taxation of Nonqualified Deferred Compensation

Section 409A of the Code requires that amounts that qualify as “nonqualified deferred compensation” satisfy requirements with respect to the timing of deferral elections, timing of payments, and certain other matters. Generally, our compensation committee intends to administer our executive compensation program and design individual compensation components, as well as the compensation plans and arrangements for our employees generally, so that they are either exempt from, or satisfy the requirements of, Section 409A. From time to time, we may be required to amend some of our compensation plans and arrangements to ensure that they are either exempt from, or compliant with, Section 409A.

Taxation of “Parachute” Payments

Sections 280G and 4999 of the Code provide that executive officers and directors who hold significant equity interests and certain other service providers may be subject to significant additional taxes if they receive payments or benefits in connection with a change in control of the Company that exceeds certain prescribed limits, and that the Company (or a successor) may forfeit a deduction on the amounts subject to this additional tax. We are not obligated to provide any Named Executive Officer with a “gross-up” or other reimbursement payment for any tax liability that he or she may owe as a result of the application of Sections 280G or 4999 in the event of a change in control of the Company.

Accounting for Stock-Based Compensation

Our compensation committee takes accounting considerations into account in designing compensation plans and arrangements for our executive officers and other employees. Chief among these is Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“ASC Topic 718”), the standard which governs the accounting treatment of stock-based compensation awards.

ASC Topic 718 requires us to recognize in our financial statements all share-based payment awards to employees, including grants of options to purchase shares of our common stock and restricted stock awards that may be settled for shares of our common stock to our executive officers, based on their fair values. For certain performance-based stock awards, we also must apply judgment in determining the periods when, and if, the achievement of the related performance targets becomes probable.

ASC Topic 718 also requires us to recognize the compensation cost of our share-based payment awards in our income statement over the period that an employee, including our executive officers, is required to render service in exchange for the award (which, generally, will correspond to the award’s vesting schedule).

Compensation Committee Report

The information contained in the following Compensation Committee Report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

Our compensation committee has reviewed and discussed the Compensation Discussion and Analysis required by 402(b) of Regulation S-K with management. Based on this review and discussion, our compensation committee recommended to our board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted by the members of the compensation committee of our board of directors:

Enrique Salem (Chair)
Sara C. Andrews
Ronald E. F. Codd
Adrian McDermott

Summary Compensation Table for Fiscal Year 2021

The following table provides information regarding the compensation awarded to, or earned by, our Named Executive Officers (with the applicable titles described below as of the end of 2021) during 2019, 2020 and 2021.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$) ⁽²⁾	All Other Compensation (\$)	Total (\$)
Peter Bailey, ...	2021	400,000	—	3,473,440	—	203,738	1,218	4,078,396
<i>Executive Vice President, Mandiant Solutions</i> ⁽³⁾	2020	400,000	—	3,208,000	—	276,750	1,218	3,885,968
	2019	—	—	—	—	—	—	—
Alexa King, ...	2021	337,500	50,000	2,496,535	—	183,364	68,765 ⁽⁵⁾	3,068,664
<i>Strategic Advisor</i> ⁽⁴⁾	2020	395,000	—	2,022,500	—	242,925	1,518	2,661,943
	2019	383,000	—	2,521,530	—	133,571	2,212	3,040,313
Kevin R. Mandia, ...	2021	440,000	—	6,946,880	—	391,820	1,518	7,780,218
<i>Chief Executive Officer</i>	2020	440,000	—	6,472,000	—	541,200	1,518	7,454,718
	2019	425,000	—	7,004,250	—	296,438	2,478	7,728,166
William T. Robbins, ...	2021	475,000	—	3,473,440	—	344,090	2,291	4,294,822
<i>Executive Vice President and Chief Revenue Officer</i>	2020	475,000	—	4,479,375	—	467,400	1,746	5,423,521
	2019	462,500	—	4,202,550	—	252,844	9,511	4,927,405
Frank E. Verdecanna, ...	2021	410,000	—	3,473,440	—	222,753	1,746	4,107,939
<i>Executive Vice President and Chief Financial Officer</i>	2020	410,000	—	2,831,500	—	302,580	1,218	3,545,298
	2019	400,000	—	4,015,770	—	139,500	2,014	4,557,284
John P. Watters	2021	445,454	—	15,283,950	—	396,699	4,276	16,130,380
<i>President and Chief Operating Officer</i> ⁽⁶⁾	2020	—	—	—	—	—	—	—
	2019	—	—	—	—	—	—	—

- (1) The amounts reported in this column represent the aggregate grant date fair value of time-based restricted stock units (“RSUs”) and performance-based restricted stock units (“PSUs”) as computed in accordance with Financial Accounting Standard Board Accounting Standards Codification Topic 718. The assumptions used in calculating the grant date fair value of the awards reported in this column are set forth in the notes to our audited consolidated financial statements included in the Original Filing. The PSUs were valued based on the probable (target) outcome of performance-based conditions (i.e., based on 100% achievement). If the PSUs were instead valued based on the maximum outcome of performance-based conditions (i.e., based on 150% achievement), the total amount represented in this column for 2021 would be as follows: Mr. Bailey: \$2,660,160; Ms. King: \$3,655,994 (excluding consultant compensation); Mr. Mandia: \$5,320,320; Mr. Robbins: \$2,660,160; Mr. Verdecanna: \$2,660,160; and Mr. Watters: \$13,161,300.
- (2) The amounts reported in this column represent amounts paid under the Employee Incentive Plan.
- (3) Mr. Bailey became a Named Executive Officer in 2020 and ceased being an executive officer on April 5, 2021. Accordingly, information for 2019 with respect to Mr. Bailey is not provided.
- (4) Ms. King ceased being an executive officer on November 1, 2021.
- (5) The amount reported in this column for Ms. King includes \$67,500 of consulting payments in November and December 2021 as a strategic advisor per her Transition Agreement.
- (6) Mr. Watters was appointed as our President and Chief Operating Officer in April 2021. Prior to that he served in various roles with the company, including as a consultant. Accordingly, only information for 2021 is provided with respect to Mr. Watters.

Grants of Plan-Based Awards Table for Fiscal Year 2021

The following table provides information regarding the amount of equity awards granted to our Named Executive Officers during 2021.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾		All Other Stock Awards: Number of Shares of Stock or Units ⁽³⁾	Grant Date Fair Value of Stock and Option Awards ⁽⁴⁾
		Threshold (\$)	Target (\$)	Maximum (\$)	Target (#)	Maximum (#)		
Peter Bailey	—	—	225,000	337,500	—	—	—	—
	2/11/21	—	—	—	80,000	120,000	—	1,773,400
	2/11/21	—	—	—	—	—	80,000	1,700,000
Alexa King	—	—	202,500	303,750	—	—	—	—
	2/11/21	—	—	—	57,500	86,250	—	1,274,660
	2/11/21	—	—	—	—	—	57,500	1,221,875
Kevin R. Mandia	—	—	440,000	660,000	—	—	—	—
	2/11/21	—	—	—	160,000	240,000	—	3,546,880
	2/11/21	—	—	—	—	—	160,000	3,400,000
William T. Robbins	—	—	380,000	570,000	—	—	—	—
	2/11/21	—	—	—	80,000	120,000	—	1,773,400
	2/11/21	—	—	—	—	—	80,000	1,700,000
Frank E. Verdecanna	—	—	246,000	369,000	—	—	—	—
	2/11/21	—	—	—	80,000	120,000	—	1,773,400
	2/11/21	—	—	—	—	—	80,000	1,700,000
John P. Watters.	—	—	600,000	900,000	—	—	—	—
	4/8/21	—	—	—	225,000	337,500	—	4,768,200
	4/8/21	—	—	—	300,000	300,000	—	6,009,000
	4/8/21	—	—	—	—	—	225,000	4,506,750

- (1) The amounts reported in the Estimated Future Payouts Under Non-Equity Incentive Plan Awards columns relate to amounts payable for the achievement of the 2021 performance metrics established by our compensation committee under our Employee Incentive Plan. The target column assumes the achievement of the corporate performance metrics and the individual performance metrics at the target level. The maximum column assumes the achievement of the corporate performance metrics and the individual performance metrics at the maximum level. Notwithstanding the level of performance achieved by our Named Executive Officers, our compensation committee reserves the right to increase, reduce or eliminate any incentive compensation in its discretion. The actual amounts paid to our Named Executive Officers are set forth in the Summary Compensation Table for Fiscal Year 2021 above. For more information, see the section titled “Compensation Discussion and Analysis — Compensation Elements” above.
- (2) Represents performance-based restricted stock unit awards which were granted under the Mandiant, Inc. 2013 Equity Incentive Plan. For more information, see the section titled “Compensation Discussion and Analysis — Compensation Elements” above.
- (3) Represents restricted stock unit awards which were granted under the Mandiant, Inc. 2013 Equity Incentive Plan.
- (4) The amounts reported in this column represent the aggregate grant date fair value of the award as computed in accordance with Financial Accounting Standard Board Accounting Standards Codification Topic 718. The assumptions used in calculating the grant date fair value of the awards reported in this column are set forth in the notes to our audited consolidated financial statements included in the Original Filing.

Outstanding Equity Awards at 2021 Fiscal Year-End Table

The following table presents certain information concerning equity awards held by our Named Executive Officers as of December 31, 2021.

Name	Grant Date	Option Awards				Stock Awards ⁽¹⁾			
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested (\$) ⁽²⁾	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (\$) ⁽²⁾
Peter Bailey	2/4/20	—	—	—	—	26,625 ⁽³⁾	467,003	50,000 ⁽⁴⁾	877,000
	2/4/20 ⁽⁵⁾	—	—	—	—	56,250	986,625	—	—
	2/11/21	—	—	—	—	22,718 ⁽⁶⁾	398,474	58,668 ⁽⁷⁾	1,029,037
	2/11/21 ⁽⁸⁾	—	—	—	—	65,000	1,140,100	—	—
Alexa King	2/7/18 ⁽⁹⁾	—	—	—	—	10,937	191,835	—	—
	2/7/18 ⁽¹⁰⁾	—	—	—	—	12,500	219,250	—	—
	2/5/19	—	—	—	—	21,626 ⁽¹¹⁾	379,320	—	—
	2/5/19 ⁽¹²⁾	—	—	—	—	21,094	369,989	—	—
	2/4/20	—	—	—	—	17,062 ⁽¹³⁾	299,267	29,166 ⁽¹⁴⁾	511,572
	2/4/20 ⁽⁵⁾	—	—	—	—	35,156	616,636	—	—
	2/11/21	—	—	—	—	16,328 ⁽¹⁵⁾	286,393	42,168 ⁽¹⁴⁾	739,627
	2/11/21 ⁽⁸⁾	—	—	—	—	46,719	819,451	—	—
Kevin R. Mandia	2/7/18 ⁽⁹⁾	—	—	—	—	43,750	767,375	—	—
	2/7/18 ⁽¹⁰⁾	—	—	—	—	50,000	877,000	—	—
	2/5/19	—	—	—	—	60,074 ⁽¹⁶⁾	1,053,698	—	—
	2/5/19 ⁽¹²⁾	—	—	—	—	58,594	1,027,739	—	—
	2/4/20	—	—	—	—	54,599 ⁽¹⁷⁾	957,666	93,333 ⁽¹⁴⁾	1,637,061
	2/4/20 ⁽⁵⁾	—	—	—	—	112,500	1,973,250	—	—
	2/11/21	—	—	—	—	45,438 ⁽¹⁸⁾	796,983	117,334 ⁽⁷⁾	2,058,038
	2/11/21 ⁽⁸⁾	—	—	—	—	130,000	2,280,200	—	—
William T. Robbins	2/7/18 ⁽⁹⁾	—	—	—	—	16,406	287,761	—	—
	2/7/18 ⁽¹⁰⁾	—	—	—	—	18,750	328,875	—	—
	2/18/18 ⁽⁹⁾	—	—	—	—	5,468	95,909	—	—
	2/18/18 ⁽¹⁰⁾	—	—	—	—	6,250	109,625	—	—
	2/5/19	—	—	—	—	36,044 ⁽¹⁹⁾	632,212	—	—
	2/5/19 ⁽¹²⁾	—	—	—	—	35,157	616,654	—	—
	2/4/20	—	—	—	—	30,712 ⁽²⁰⁾	538,688	52,500 ⁽¹⁴⁾	920,850
	2/4/20 ⁽⁵⁾	—	—	—	—	63,281	1,109,949	—	—
	5/6/20	—	—	—	—	10,237 ⁽²¹⁾	179,557	17,500 ⁽¹⁴⁾	306,950
	5/6/20 ⁽⁵⁾	—	—	—	—	21,094	369,989	—	—
	2/11/21	—	—	—	—	22,718 ⁽⁶⁾	398,474	58,668 ⁽⁷⁾	1,029,037
	2/11/21 ⁽⁸⁾	—	—	—	—	65,000	1,140,100	—	—

Name	Grant Date	Option Awards				Stock Awards ⁽¹⁾			
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested (\$) ⁽²⁾	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (\$) ⁽²⁾
Frank E. Verdecanna	2/7/18 ⁽⁹⁾	—	—	—	—	19,140	335,716	—	—
	2/7/18 ⁽¹⁰⁾	—	—	—	—	21,875	383,688	—	—
	2/5/19	—	—	—	—	34,442 ⁽²²⁾	604,113	—	—
	2/5/19 ⁽¹²⁾	—	—	—	—	33,594	589,239	—	—
	2/4/20	—	—	—	—	23,886 ⁽²³⁾	418,960	40,833 ⁽¹⁴⁾	716,211
	2/4/20 ⁽⁵⁾	—	—	—	—	49,219	863,301	—	—
	2/11/21	—	—	—	—	22,718 ⁽⁶⁾	398,474	58,668 ⁽⁷⁾	1,029,037
	2/11/21 ⁽⁸⁾	—	—	—	—	65,000	1,140,100	—	—
John P. Watters	4/8/21 ⁽²⁴⁾	—	—	—	—	225,000	3,946,500	—	—
	4/8/21	—	—	—	—	79,875 ⁽²⁵⁾	1,401,008	150,000 ⁽⁴⁾	2,631,000
	4/8/21	—	—	—	—	—	—	300,000 ⁽²⁶⁾	5,262,000

- (1) Unless otherwise described in the footnotes below, represents (i) restricted stock unit awards and (ii) performance based restricted stock unit awards, in each case that remained unvested and/or unearned as of December 31, 2021. If the holder of an award ceases to provide services to us prior to the date on which all shares subject to the award have vested in accordance with the applicable vesting schedule described in the footnotes below, we have a right to cancel the then unvested portion of the award.
- (2) The market value of unvested shares is calculated by multiplying the number of unvested shares held by the applicable Named Executive Officer by the closing market price of our common stock on The NASDAQ Global Select Market on December 31, 2021, which was \$17.54 per share.
- (3) Upon the achievement of certain performance conditions, 26,625 of the eligible restricted stock units relating to the 2021 performance year were earned and vested on February 15, 2022.
- (4) Upon the achievement of the target outcome of certain performance conditions, one-half of the eligible restricted stock units will vest on February 15, 2023, and the remaining eligible restricted stock units will vest on February 15, 2024, subject to the holder's continuous status as a service provider on each such vesting date.
- (5) One-ninth of the shares subject to the restricted stock unit award vested on February 15, 2022, and the remaining shares subject to the restricted stock unit award will vest quarterly thereafter in eight equal installments, subject to the holder's continuous status as a service provider on each such vesting date.
- (6) Upon the achievement of certain performance conditions, 22,718 of the eligible restricted stock units relating to the 2021 performance year were earned and vested on February 15, 2022.
- (7) Upon the achievement of the target outcome of certain performance conditions, approximately 36.4% of the eligible restricted stock units will vest on February 15, 2023, and approximately 63.6% of the eligible restricted stock units will vest on February 15, 2024, subject to the holder's continuous status as a service provider on each such vesting date.
- (8) One-thirteenth of the shares subject to the restricted stock unit award vested on February 15, 2022, and the remaining shares subject to the restricted stock unit award will vest quarterly thereafter in twelve generally equal installments, subject to the holder's continuous status as a service provider on each such vesting date.
- (9) 100% of the amount earned, which was based on the achievement of certain performance conditions, vested on February 15, 2022.
- (10) 100% of the shares subject to the restricted stock unit award vested on February 15, 2022.
- (11) Upon the achievement of certain performance conditions, 21,626 of the eligible restricted stock units relating to the 2021 performance year and the 2019 – 2021 performance period for the relative TSR performance condition were earned and vested on February 15, 2022.
- (12) One-fifth of the shares subject to the restricted stock unit award vested on February 15, 2022, and the remaining

shares subject to the restricted stock unit award will vest quarterly thereafter in four generally equal installments, subject to the holder's continuous status as a service provider on each such vesting date.

- (13) Upon the achievement of certain performance conditions, 17,062 of the eligible restricted stock units relating to the 2021 performance year were earned and vested on February 15, 2022.
- (14) 100% of the eligible restricted stock units were forfeited upon the termination of Ms. King's service to the Company as a strategic advisor on March 1, 2022.
- (15) Upon the achievement of certain performance conditions, 16,328 of the eligible restricted stock units relating to the 2021 performance year were earned and vested on February 15, 2022.
- (16) Upon the achievement of certain performance conditions, 60,074 of the eligible restricted stock units relating to the 2021 performance year and the 2019 – 2021 performance period for the relative TSR performance condition were earned and vested on February 15, 2022.
- (17) Upon the achievement of certain performance conditions, 54,599 of the eligible restricted stock units relating to the 2021 performance year were earned and vested on February 15, 2022.
- (18) Upon the achievement of certain performance conditions, 45,438 of the eligible restricted stock units relating to the 2021 performance year were earned and vested on February 15, 2022.
- (19) Upon the achievement of certain performance conditions, 36,044 of the eligible restricted stock units relating to the 2021 performance year and the 2019 – 2021 performance period for the relative TSR performance condition were earned and vested on February 15, 2022.
- (20) Upon the achievement of certain performance conditions, 30,712 of the eligible restricted stock units relating to the 2021 performance year were earned and vested on February 15, 2022.
- (21) Upon the achievement of certain performance conditions, 10,237 of the eligible restricted stock units relating to the 2021 performance year were earned and vested on February 15, 2022.
- (22) Upon the achievement of certain performance conditions, 34,442 of the eligible restricted stock units relating to the 2021 performance year and the 2019 – 2021 performance years were earned and vested on February 15, 2022.
- (23) Upon the achievement of certain performance conditions, 23,886 of the eligible restricted stock units relating to the 2021 performance year were earned and vested on February 15, 2022.
- (24) 25% of the shares subject to the restricted stock unit award vested on February 15, 2022, and the remaining shares subject to the restricted stock unit award will vest quarterly thereafter in twelve equal installments, subject to the holder's continuous status as a service provider on each such vesting date.
- (25) Upon the achievement of certain performance conditions, 79,875 of the eligible restricted stock units relating to the 2021 performance year were earned and vested on February 15, 2022.
- (26) One-third of the eligible restricted stock units will vest upon the Company's attainment of a 30-day average stock price of \$25; one-third of the eligible restricted stock units will vest upon the Company's attainment of a 10-day average stock price of \$30; one-sixth of the eligible restricted stock units will vest upon the Company's attainment of a 10-day average stock price of \$35; and one-sixth of the eligible restricted stock units will vest upon the Company's attainment of a 10-day average stock price of \$40, in each case subject to the holder's continuous status as a service provider on each such vesting date.

Option Exercises and Stock Vested for Fiscal Year 2021 Table

The following table sets forth the number of shares acquired and the value realized upon the exercise of stock options and the vesting of restricted stock unit awards during 2021 by each of our Named Executive Officers.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) ⁽¹⁾	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ⁽²⁾
Peter Bailey	—	—	96,250	1,990,713
Alexa King	—	—	118,718	2,469,758
Kevin R. Mandia	—	—	375,626	7,833,379
William T. Robbins	—	—	307,499	6,456,577
Frank E. Verdecanna	87,992	1,383,365	182,766	3,807,860
John P. Watters ⁽³⁾	—	—	10,000	210,050

- (1) Based on the market price of the Company's common stock on the date of exercise less the option exercise price paid for those shares, multiplied by the number of shares for which the option was exercised.
- (2) Based on the market price per share of the Company's common stock on the vesting date, multiplied by the number of shares vested.

- (3) These shares were released upon vesting of restricted stock units granted to Mr. Watters in 2020 in connection with his consulting relationship with the Company.

Employment Agreements for Executive Officers

Kevin R. Mandia

Effective December 30, 2013, we entered into an employment offer letter with Kevin R. Mandia, our Chief Executive Officer. The offer letter is for no specific term and provides that Mr. Mandia is an “at-will” employee. Mr. Mandia’s current annual base salary is \$440,000, and he is eligible for annual target incentive payments equal to \$440,000 for 2022. Mr. Mandia is also eligible for severance payments and benefits under our Change of Control Severance Policy for Officers.

The offer letter also contains certain covenants regarding external consulting and other activities that Mr. Mandia cannot engage in while providing services to us.

William T. Robbins

Effective November 14, 2016, we entered into an employment offer letter with William T. Robbins, our Executive Vice President, Chief Revenue Officer and General Manager of Products. The offer letter is for no specific term and provides that Mr. Robbins is an “at-will” employee. Mr. Robbins’ current annual base salary is \$475,000, and he is eligible for annual target incentive payments equal to \$380,000 for 2022. Mr. Robbins is also eligible for severance payments and benefits under our Change of Control Severance Policy for Officers.

Frank E. Verdecanna

Effective February 20, 2018, we entered into a confirmatory employment offer letter with Frank E. Verdecanna, our Executive Vice President, Chief Financial Officer and Chief Accounting Officer. The offer letter is for no specific term and provides that Mr. Verdecanna is an “at-will” employee. Mr. Verdecanna’s current annual base salary is \$410,000, and he is eligible for annual target incentive payments equal to \$246,000 for 2022. Mr. Verdecanna is also eligible for severance payments and benefits under our Change of Control Severance Policy for Officers.

John P. Watters

Effective April 1, 2021, we entered into an employment offer letter with John P. Watters, our President and Chief Operating Officer. The offer letter is for no specific term and provides that Mr. Watters is an “at-will” employee. Mr. Watters’ current annual base salary is \$600,000, and he is eligible for annual target incentive payments equal to \$600,000 for 2022, pro-rated based on his first day of employment. Mr. Watters is also eligible for severance payments and benefits under our Change of Control Severance Policy for Officers.

Change of Control Severance Policy for Officers

In July 2013, our compensation committee adopted and approved a Change of Control Severance Policy for Officers (the “Severance Policy”). All of our executive officers and certain of our non-executive officers (collectively referred to as “eligible employees”) are generally eligible for severance payments and benefits under the Severance Policy, subject to the conditions described below. Each eligible employee may receive payments and benefits upon a qualified termination of employment anytime from three months prior to a change of control through 12 months following a change of control of the Company (the “change of control period”). In addition, eligible employees may receive severance payments and benefits for qualified terminations of employment unrelated to a change of control. The payments and benefits in the Severance Policy vary based on whether an eligible employee is an executive officer, or Tier 1 Executive, or a non-executive officer, or Tier II Executive.

In the event of a termination of employment without “cause” or a resignation for “good reason” (as such terms are generally defined below), in each case, during the change of control period, an eligible employee will receive the following:

- Tier I Executive or Tier II Executive:

- lump-sum 12 months base salary payment;
- pro-rata bonus for the year of termination;
- 100% acceleration of unvested equity awards with unvested performance awards vesting at maximum level; and
- paid COBRA continuation for 12 months.

In the event of a termination of employment without “cause” (as generally defined below) outside of the change of control period, an eligible employee will receive the following:

- Tier I Executive:
 - lump-sum 12 months base salary payment; and
 - paid COBRA continuation for 12 months.
- Tier II Executive:
 - lump-sum six months base salary payment; and
 - paid COBRA continuation for six months.

To be an eligible employee, the participant must enter into a participation agreement with us. Also, all severance payments and benefits under the Severance Policy are subject to the eligible employee executing a release of claims in favor of the Company. Payments and benefits under the Severance Policy replace any then-existing severance and/or change of control payment and benefit arrangements that an eligible employee had previously. All of our Named Executive Officers have entered into a participation agreement with us.

For purposes of the Severance Policy, “cause” means generally:

- the unauthorized use or disclosure of our confidential information or trade secrets, which use or disclosure causes material harm to us;
- the material breach of any agreement between us and the named executive officer;
- the material failure to comply with our written policies or rules;
- the conviction of, or plea of “guilty” or “no contest” to, a felony under the laws of the United States or any State;
- gross negligence or willful misconduct in the performance of the named executive officer’s duties;
- the continuing failure to perform assigned duties after receiving written notification of the failure from our Chief Executive Officer; or
- the failure to cooperate in good faith with a governmental or internal investigation of the company or our directors, officers or employees, if we have requested such cooperation;

provided, however, that “cause” will not be deemed to exist in certain of the events above unless the named executive officer has been provided with (i) 30 days’ written notice by our board of directors of the act or omission constituting “cause” and (ii) 30 days’ opportunity to cure such act or omission, if capable of cure.

For purposes of the Severance Policy, “good reason” means generally any of the following without an eligible employee’s consent:

- a material reduction in duties, authority, reporting relationship, or responsibilities;
- a material reduction in annual cash compensation;
- a requirement to relocate to a location more than 20 miles from the eligible employee’s then-current office location;
- a material breach by us of the eligible employee’s employment agreement or any other agreement between the eligible employee and us; or
- a failure by any successor entity to assume the Severance Policy.

Potential Payments upon a Change of Control, upon Termination or upon Termination Following a Change of Control

Potential Payments Upon Termination of Employment Outside of the Change of Control Period

The table below shows the estimated payments and benefits that each Named Executive Officer would have received under the Severance Policy if his or her employment had been terminated without cause on December 31, 2021, assuming that such termination occurred outside of a change of control period.

Name	Salary Continuation(\$)	Value of Continued Health Care Premiums(\$) ⁽¹⁾	Total(\$)
Peter Bailey	400,000	28,627	428,627
Alexa King ⁽²⁾	—	—	—
Kevin R. Mandia	440,000	28,627	468,627
William T. Robbins	475,000	28,627	503,627
Frank E. Verdecanna	410,000	28,627	438,627
John P. Watters	600,000	28,627	628,627

(1) Estimates of COBRA value are based on coverage in effect as of December 31, 2021.

(2) Ms. King's employment with us terminated in November 2021 and she did not receive any payments under the Severance Policy.

Potential Payments Upon Termination of Employment During the Change of Control Period

The table below shows the estimated payments and benefits that each Named Executive Officer would have received under the Severance Policy if his or her employment had been terminated without cause, or he or she had resigned for good reason, on December 31, 2021, assuming that such termination or resignation for good reason occurred within a change of control period.

Name	Salary Continuation(\$)	Pro rata Cash Incentive(\$) ⁽¹⁾	Acceleration		Value of Continued Health Care Premiums(\$) ⁽²⁾	Total(\$)
			Option Awards(\$)	Stock Awards(\$)		
Peter Bailey	400,000	225,000	—	6,204,775	28,627	6,858,402
Alexa King ⁽³⁾	—	—	—	—	—	—
Kevin R. Mandia	440,000	440,000	—	17,296,071	28,627	18,204,698
William T. Robbins	475,000	380,000	—	10,439,036	28,627	11,322,663
Frank E. Verdecanna	410,000	246,000	—	8,424,944	28,627	9,109,571
John P. Watters	600,000	600,000	—	15,128,250	28,627	16,356,877

(1) Represents amount of target annual cash incentive opportunity as of December 31, 2021.

(2) Estimates of COBRA value are based on coverage in effect as of December 31, 2021.

(3) Ms. King's employment with us terminated in November 2021 and she did not receive any payments under the Severance Policy.

Equity Compensation Plan Information

The following table provides information as of December 31, 2021 with respect to shares of our common stock that may be issued under our existing equity compensation plans. The table does not include information with respect to shares of our common stock subject to outstanding stock options that were assumed by us in connection with our acquisitions of Mandiant, nPulse Technologies, Verodin or Respond Software, which originally granted those stock options. However, footnote 3 to the table sets forth the total number of shares of our common stock issuable upon the exercise of those assumed options as of December 31, 2021, and the weighted average exercise price of those assumed stock options.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights ⁽¹⁾	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders ⁽²⁾	19,666,585	\$23.1424	22,576,957
Equity compensation plans not approved by stockholders ⁽³⁾	—	—	—
Total	19,666,585	\$23.1424	22,576,957

- (1) The weighted average exercise price is calculated based solely on outstanding stock options. It does not take into account restricted stock units, which have no exercise price.
- (2) Includes the following plans: Mandiant, Inc. 2008 Stock Plan, Mandiant, Inc. 2013 Equity Incentive Plan (“2013 Plan”) and Mandiant, Inc. 2013 Employee Stock Purchase Plan (“ESPP”). Our 2013 Plan provides that on the first day of each fiscal year, the number of shares available for issuance thereunder is automatically increased by a number equal to the least of (i) 12,100,000 shares of common stock, (ii) five percent (5.0%) of the aggregate number of shares of common stock outstanding on December 31st of the preceding fiscal year, or (iii) such other amount as may be determined by our board of directors. Our ESPP provides that on the first day of each fiscal year, the number of shares available for issuance thereunder is automatically increased by a number equal to the least of (i) 3,700,000 shares of common stock, (ii) one percent (1.0%) of the aggregate number of shares of common stock outstanding on such date, or (iii) such other amount as may be determined by our board of directors. On January 1, 2022, the number of shares available for issuance under our 2013 Plan and our ESPP increased by 11,590,100 shares and 2,318,020 shares, respectively, pursuant to these provisions. These increases are not reflected in the table above.
- (3) The table does not include information for the Mandiant Corporation 2011 Equity Incentive Plan, nPulse Technologies, Inc. 2012 Stock Incentive Plan, Verodin, Inc. 2015 Equity Incentive Plan, and Respond Software, Inc. 2016 Stock Option and Grant Plan, which are equity compensation plans governing stock options assumed by us in connection with the acquisitions of Mandiant, nPulse Technologies, Verodin and Respond Software. As of December 31, 2021, there were a total of 1,388,518 shares subject to outstanding stock options assumed by us in connection with the acquisitions of Mandiant, nPulse Technologies, Verodin and Respond Software. Those outstanding stock options had a weighted average exercise price of \$2.0228 per share. No additional awards may be made under those plans.

CEO Pay Ratio

As required by Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of our Chief Executive Officer:

For 2021, our last completed fiscal year:

- the median of the annual total compensation of all employees of our company (other than our Chief Executive Officer) was \$176,451; and
- the annual total compensation of our Chief Executive Officer, as reported in the Summary Compensation Table presented elsewhere in this proxy statement, was \$7,780,218.

Based on this information, for 2021, the ratio of the annual total compensation of our Chief Executive Officer to the median of the annual total compensation of all other employees was approximately 44 to 1. This pay ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of the “median employee,” the methodology and the material assumptions, adjustments and estimates that we used were as follows:

- We selected December 31, 2021, which is the last day of our fiscal year, as the date upon which we would identify the median employee.

- As of December 31, 2021, our employee population consisted of 2,335 individuals.
- We identified our “median employee” from our employee population with respect to 2020 based on payroll and equity plan records for January 1, 2020 through December 31, 2020 (the “compensation measurement period”). As permitted under Item 402(u) of Regulation S-K, we used the same “median employee” for 2021.
 - The compensation measure included the following: base salary, bonus payments, grant date fair value of equity awards, and sales commissions. Such cash amounts reflected amounts, if any, actually paid during the compensation measurement period.
 - We did not annualize any amounts for employees who were hired in fiscal year 2020 but did not work for us or our subsidiaries for the entire fiscal year.
 - We did not exclude any non-U.S. employee under the de minimis exception set forth in Item 402(u) of Regulation S-K.
 - We did not include the amount of non-cash tax gross ups for relocation benefits and employee recognition awards.
 - Amounts paid in foreign currency were converted into United States dollars using exchange rates in effect as of December 31, 2020.
- With respect to the annual total compensation of the “median employee,” we identified and calculated the elements of such employee’s compensation for 2021 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in annual total compensation of \$176,451.
- With respect to the annual total compensation for our Chief Executive Officer, we used the amount reported in the “Total” column of our Summary Compensation Table for Fiscal Year 2020.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock and convertible preferred stock as of April 6, 2022 for:

- each of our directors;
- each of our Named Executive Officers;
- all of our current directors and current executive officers as a group; and
- each person or group who is known by us to be the beneficial owner of more than 5% of our common stock or convertible preferred stock.

We have determined beneficial ownership in accordance with the rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. In computing a person's percentage ownership of common stock, (a) shares of common stock subject to options or restricted stock units held by that person that are currently exercisable, or exercisable (or, in the case of restricted stock units, scheduled to vest and settle) within 60 days after April 6, 2022, and (b) shares of common stock into which shares of convertible preferred stock are convertible, are deemed to be outstanding and beneficially owned by that person. None of these shares, however, are deemed outstanding for the purpose of computing the percentage ownership of any other person.

Except as indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially owned, subject to community property laws where applicable. For the percentage of beneficial ownership of common stock, we have based our calculation on 233,978,294 shares of our common stock outstanding as of April 6, 2022. For the percentage of beneficial ownership of our convertible preferred stock, we have based our calculation on 400,000 shares of our convertible preferred stock outstanding as of April 6, 2022. Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Mandiant, Inc., 11951 Freedom Drive, 6th Floor, Reston, VA 201905.

Name of Beneficial Owner	Common Stock		Convertible Preferred Stock	
	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
5% Stockholders:				
Blackstone Entities ⁽¹⁾	22,757,008	9.73%	370,000	92.5%
The Vanguard Group ⁽²⁾	21,727,091	9.29%	—	—
Allianz Global Investors U.S. LLC ⁽³⁾	14,032,951	6.00%	—	—
FMR LLC ⁽⁴⁾	21,694,412	9.27%	—	—
BlackRock, Inc. ⁽⁵⁾	13,321,460	5.69%	—	—
ClearSky Entities ⁽⁶⁾	1,845,162	0.79%	30,000	7.5%
Directors and Named Executive Officers:				
Peter Bailey ⁽⁷⁾	46,421	*	—	—
Alexa King ⁽⁸⁾	191,579	*	—	—
Kevin R. Mandia ⁽⁹⁾	3,556,753	1.52%	—	—
William T. Robbins ⁽¹⁰⁾	99,357	*	—	—
Frank E. Verdecanna ⁽¹¹⁾	416,194	*	—	—
Kimberly Alexy	82,904	*	—	—
Sara C. Andrews	8,347	*	—	—
Ronald E. F. Codd ⁽¹²⁾	136,625	*	—	—
Arthur W. Coviello, Jr. ⁽¹³⁾	22,519	*	—	—
Adrian McDermott	30,225	*	—	—

Name of Beneficial Owner	Common Stock		Convertible Preferred Stock	
	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Viral Patel	—	—	—	—
Enrique Salem	278,653	*	—	—
Robert E. Switz	68,590	*	—	—
John P. Watters ⁽¹⁴⁾	267,563	*	—	—
All current directors and current executive officers as a group (12 persons) ⁽¹⁵⁾	4,967,730	2.12%	—	—

* Represents beneficial ownership of less than one percent of the outstanding shares of our common stock.

- (1) Consists of (i) 362,974 shares of our convertible preferred stock, which are convertible into 22,324,871 shares of our common stock, directly held by Blackstone Delta Lower Holdings DE L.P. and (ii) 7,026 shares of our convertible preferred stock, which are convertible into 432,137 shares of our common stock, directly held by BTO FD Delta Holdings DE L.P.

Blackstone Delta Lower Holdings Manager L.L.C. is the general partner of Blackstone Delta Lower Holdings DE L.P. Blackstone Delta Holdings DE L.P. is the managing member of Blackstone Delta Lower Holdings Manager L.L.C. BTO Holdings Manager L.L.C. is the general partner of Blackstone Delta Holdings DE L.P. Blackstone Tactical Opportunities Associates L.L.C. is the managing member of BTO Holdings Manager L.L.C. BTOA L.L.C. is the sole member of Blackstone Tactical Opportunities Associates L.L.C. Blackstone Holdings III L.P. is the managing member of BTOA L.L.C. Blackstone Holdings III GP L.P. is the general partner of Blackstone Holdings III L.P. Blackstone Holdings III GP Management L.L.C. is the general partner of Blackstone Holdings III GP L.P.

BTO FD Delta Holdings Manager L.L.C. is the general partner of BTO FD Delta Holdings DE L.P. Blackstone Tactical Opportunities Fund — FD L.P. is the managing member of BTO FD Delta Holdings Manager L.L.C. Blackstone Tactical Opportunities Associates III — NQ L.P. is the general partner of Blackstone Tactical Opportunities Fund — FD L.P. BTO DE GP — NQ L.L.C. is the general partner of Blackstone Tactical Opportunities Associates III — NQ L.P. Blackstone Holdings II L.P. is the managing member of BTO DE GP — NQ L.L.C. Blackstone Holdings I/II GP L.L.C. is the general partner of Blackstone Holdings II L.P. The Blackstone Group Inc. is the sole member of each of Blackstone Holdings I/II GP L.L.C. and Blackstone Holdings III GP Management L.L.C. The sole holder of the Class C common stock of The Blackstone Group Inc. is Blackstone Group Management L.L.C.

Blackstone Group Management L.L.C. is wholly-owned by Blackstone's senior managing directors and controlled by its founder, Stephen A. Schwarzman. Each of the Blackstone entities described in this footnote and Stephen A. Schwarzman (other than to the extent it or he directly holds securities as described herein) may be deemed to beneficially own the securities directly or indirectly controlled by such Blackstone entities or him, but each disclaims beneficial ownership of such securities. The address of each of the entities listed in this footnote and Mr. Schwarzman is c/o The Blackstone Group Inc., 345 Park Avenue, New York, New York 10154.

- (2) As of December 31, 2021, the reporting date of The Vanguard Group's filing with the SEC on February 10, 2022 pursuant to Section 13(g) of the Exchange Act, The Vanguard Group, as investment advisor, has sole voting power with respect to zero shares of our common stock, shared voting power with respect to 119,284 shares of our common stock, sole dispositive power with respect to 21,396,178 shares of our common stock and shared dispositive power with respect to 330,913 shares of our common stock. The principal business address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.
- (3) As of December 31, 2021, the reporting date of the filing by Allianz Global Investors U.S. Holdings LLC with the SEC on February 14, 2022 pursuant to Section 13(g) of the Exchange Act, Allianz Global Investors U.S. Holdings LLC, as investment advisor, has sole voting power with respect to 13,995,546 shares of our common stock, shared voting power with respect to 37,405 shares of our common stock, sole dispositive power with respect to 14,032,951 shares of our common stock and shared dispositive power with respect to zero shares of our common stock. The principal business address of Allianz Global Investors U.S. Holdings LLC is 1633 Broadway, New York, NY 10019.
- (4) As of December 31, 2021, the reporting date of the joint filing by FMR LLC and Abigail P. Johnson, Chairman and Chief Executive Officer of FMR LLC, with the SEC on February 9, 2022 pursuant to Section 13(g) of the Exchange Act, (i) FMR LLC, as a parent holding company, has sole voting power with respect to 426,903 shares of our common stock, shared voting power with respect to zero shares of our common stock, sole dispositive power with respect to 21,694,412 shares of our common stock and shared dispositive power with respect to zero shares of our common stock, and (ii) Abigail P. Johnson has sole voting power with respect to zero shares of our common stock,

- shared voting power with respect to zero shares of our common stock, sole dispositive power with respect to 21,694,412 shares of our common stock and shared dispositive power with respect to zero shares of our common stock. The principal business address of FMR LLC and Abigail P. Johnson is 245 Summer Street, Boston, MA 02210.
- (5) As of December 31, 2021, the reporting date of the filing by BlackRock, Inc. with the SEC on February 4, 2022 pursuant to Section 13(g) of the Exchange Act, BlackRock, Inc., as a parent holding company, has sole voting power with respect to 12,484,727 shares of our common stock, shared voting power with respect to zero shares of our common stock, sole dispositive power with respect to 13,321,460 shares of our common stock and shared dispositive power with respect to zero shares of our common stock. The principal business address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.
 - (6) Consists of (i) 965,159 shares of our common stock held of record by ClearSky Security Fund I LLC, (ii) 24,000 shares of our convertible preferred stock, which are convertible into 1,476,130 shares of our common stock, directly held by ClearSky Security Fund I LLC, and (iii) 6,000 shares of our convertible preferred stock, which are convertible into 369,032 shares of our common stock, directly held by ClearSky Power & Technology Fund II LLC.
ClearSky Security Fund I LLC is a Delaware limited liability company. Voting and investment decisions of ClearSky Security Fund I LLC are made by an investment committee, which is comprised of Joseph Wright, Alexander Weiss, James Huff, Jay Leek and Peter Kuper, each of whom individually disclaims beneficial ownership of the shares held of record by ClearSky Security Fund I LLC except to the extent of any their pecuniary interest therein. The address of ClearSky Security Fund I LLC is 11231 US Highway 1, Suite 395, North Palm Beach, Florida 33408.
ClearSky Power & Technology Fund II LLC is a Delaware limited liability company. Voting and investment decisions of ClearSky Power & Technology Fund II LLC are made by an investment committee, which is comprised of Joseph Wright, Alexander Weiss, James Huff, Jay Leek, Peter Kuper, and Erik Straser, each of whom individually disclaims beneficial ownership of the shares held of record by ClearSky Power & Technology Fund II LLC except to the extent of any their pecuniary interest therein. The address of ClearSky Power & Technology Fund II LLC is 11231 US Highway 1, Suite 395, North Palm Beach, Florida 33408.
 - (7) Consists of (i) 29,780 shares of our common stock held of record by Mr. Bailey and (ii) 16,641 shares of our common stock issuable upon the vesting of restricted stock units within 60 days of April 6, 2022. With respect to shares of our common stock, represents shares held by Mr. Bailey as of April 5, 2021, the date on which he ceased to serve as our Chief Operating Officer.
 - (8) Represents shares of our common stock directly held by Ms. King as of November 1, 2021, the date on which she ceased to serve as our Executive Vice President, Corporate and Legal Affairs, General Counsel, and Secretary.
 - (9) Consists of (i) 3,011,159 shares of our common stock held of record by Mr. Mandia, (ii) 60,718 shares of our common stock issuable upon the vesting of restricted stock units within 60 days of April 6, 2022, (iii) 340,691 shares of our common stock held of record by Kevin R. Mandia 2011 Irrevocable Trust Dated July 29, 2011, and (iv) 144,185 shares of our common stock held of record by Mr. Mandia's wife. Mr. Mandia's wife, as trustee, has shared voting and investment power with respect to the shares held of record by the Kevin R. Mandia 2011 Irrevocable Trust dated July 29, 2011. Mr. Mandia disclaims beneficial ownership of the shares held of record by the Kevin R. Mandia 2011 Irrevocable Trust dated July 29, 2011 and the shares held of record by Mr. Mandia's wife.
 - (10) Consists of (i) 68,952 shares of our common stock held of record by Mr. Robbins and (ii) 30,405 shares of our common stock issuable upon the vesting of restricted stock units within 60 days of April 6, 2022.
 - (11) Consists of (i) 390,008 shares of our common stock held of record by Mr. Verdecanna and (ii) 26,186 shares of our common stock issuable upon the vesting of restricted stock units within 60 days of April 6, 2022.
 - (12) Consists of 136,625 shares held of record by the Codd Revocable Trust Dtd March 6, 1998, for which the Reporting Person serves as a trustee.
 - (13) Consists of (i) 9,641 shares of our common stock held of record by Mr. Coviello and (ii) 12,878 shares held of record by the Arthur W. Coviello Jr. Revocable Trust, for which the Reporting Person serves as a trustee.
 - (14) Consists of (i) 186,001 shares of our common stock held of record by Mr. Watters, (ii) 26,562 shares of our common stock issuable upon the vesting of restricted stock units within 60 days of April 6, 2022, (ii) 20,000 shares of our common stock held of record by JPW Advisory, Inc., for which Mr. Watters serves as the sole officer and director, and (iii) 35,000 shares of our common stock held of record by Dorset Investment Partners, Ltd., a family limited partnership of which Mr. Watters and his spouse are general partners. Mr. Watters disclaims beneficial ownership of all shares held by the family limited partnership, except to the extent of his pecuniary interest therein.
 - (15) Consists of (i) 4,823,859 shares of our common stock beneficially owned by our current directors and current executive officers, and (ii) 143,871 shares of our common stock issuable upon the vesting of restricted stock units within 60 days of April 6, 2022.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE AND DELINQUENT REPORTS

Section 16(a) of the Exchange Act requires that our executive officers and directors, and persons who own more than 10% of our common stock, file reports of ownership and changes of ownership with the SEC.

Such directors, executive officers and 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

SEC regulations require us to identify in this proxy statement anyone who filed a required report late during the most recent fiscal year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during our fiscal year ended December 31, 2021, all Section 16(a) filing requirements were satisfied on a timely basis, other than an amendment to Form 3 by John P. Watters to include 3,795 shares of common stock that were inadvertently omitted from the original Form 3.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

We describe below transactions and series of similar transactions, since the beginning of our last fiscal year, to which we were or will be a party, in which:

- the amounts involved exceeded or will exceed \$120,000; and
- any of our directors, nominees for director, executive officers or holders of more than 5% of our outstanding capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest.

Other than as described below, there has not been, nor is there any currently proposed, transactions or series of similar transactions to which we have been or will be a party.

Indemnification Agreements

We have entered into standard indemnification agreements with our directors and certain of our executive officers. The indemnification agreements and our certificate of incorporation and bylaws require us to indemnify our directors and officers to the fullest extent permitted by Delaware law.

Policies and Procedures for Related Party Transactions

Our audit committee has adopted a formal written policy providing that our audit committee is responsible for reviewing “related party transactions,” which are transactions (i) in which we were, are or will be a participant, (ii) in which the aggregate amount involved exceeds or may be expected to exceed \$50,000, and (iii) in which a related person had, has or will have a direct or indirect material interest. For purposes of this policy, a related person is defined as a director, nominee for director, executive officer, or greater than 5% beneficial owner of our common stock and their immediate family members. Under this policy, all related party transactions may be consummated or continued only if approved or ratified by our audit committee. In determining whether to approve or ratify any such proposal, our audit committee will take into account, among other factors it deems appropriate, (i) whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and (ii) the extent of the related party’s interest in the transaction. The policy grants standing pre-approval of certain transactions, including (i) certain compensation arrangements of executive officers, (ii) certain director compensation arrangements, (iii) transactions with another company at which a related party’s only relationship is as a non-executive employee, director or beneficial owner of less than 10% of that company’s shares and the aggregate amount involved does not exceed the greater of \$500,000 or 2% of the company’s total annual revenue, (iv) transactions where a related party’s interest arises solely from the ownership of our common stock and all holders of our common stock received the same benefit on a pro rata basis, and (v) transactions available to all U.S. employees generally.

CEO Travel Policy

Our board of directors adopted a travel reimbursement policy in May 2016. Under the policy, as amended by our board of directors in April 2017, the individual serving as our Chief Executive Officer is eligible for reimbursement of expenses incurred in traveling by private aircraft if and when, on the infrequent occasion, such method of travel is reasonably necessary for Mandiant business trips. The total reimbursement for all eligible expenses with respect to private aircraft travel is capped at \$1 million per year. For fiscal 2021, our Chief Executive Officer did not incur any such expenses.

OTHER MATTERS

Available Information

Our financial statements for our fiscal year ended December 31, 2021 are included in our Annual Report on Form 10-K. This proxy statement and our annual report are posted on the Investor Relations section of our website at investors.Mandiant.com and are available from the SEC at its website at www.sec.gov. You may also obtain a copy of our annual report without charge by sending a written request to Mandiant, Inc., Attention: Investor Relations, 11951 Freedom Drive, 6th Floor, Reston, VA 20190.

Company Website

We maintain a website at www.Mandiant.com. Information contained on, or that can be accessed through, our website is not intended to be incorporated by reference into this proxy statement, and references to our website address in this proxy statement are inactive textual references only.

* * *

Our board of directors does not know of any other matters to be presented at the Annual Meeting. If any additional matters are properly presented at the Annual Meeting, the persons named on the enclosed proxy card will have discretion to vote the shares of common stock they represent in accordance with their own judgment on such matters.

It is important that your shares of common stock be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to vote over the Internet or by telephone as instructed on the enclosed proxy card or execute and return, at your earliest convenience, the enclosed proxy card in the envelope that has also been provided.

THE BOARD OF DIRECTORS

Reston, Virginia

May 27, 2022

MANDIANT®

2021

ANNUAL REPORT





**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-36067

Mandiant, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-1548921

(I.R.S. Employer
Identification No.)

11951 Freedom Drive, 6th Floor

Reston, VA 20190

(Address of principal executive offices and zip code)

(703) 935-1700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	MNDT	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2021, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$4.8 billion, based on the closing sales price of such stock reported for such date on The NASDAQ Global Select Market. This calculation does not reflect a determination that persons are affiliates for any other purposes.

The number of outstanding shares of the registrant's common stock was 233,826,926 as of February 23, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2021 are incorporated by reference into Part III of this Annual Report on Form 10-K.

Annual Report

	<u>Page</u>
PART I	
Item 1. Business	5
Item 1A. Risk Factors	15
Item 1B. Unresolved Staff Comments	56
Item 2. Properties	56
Item 3. Legal Proceedings	56
Item 4. Mine Safety Disclosures	56
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	57
Item 6. Reserved	58
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	58
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	84
Item 8. Financial Statements and Supplementary Data	85
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	137
Item 9A. Controls and Procedures	137
Item 9B. Other Information	140
Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections	140
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	141
Item 11. Executive Compensation	141
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	141
Item 13. Certain Relationships and Related Transactions, and Director Independence	141
Item 14. Principal Accountant Fees and Services	141
PART IV	
Item 15. Exhibits, Financial Statement Schedules	142
Item 16. Form 10-K Summary	146
Signatures	147

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the sections entitled “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words “believe,” “may,” “will,” “potentially,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan,” “expect,” the negative and plural forms of these words and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements concerning the following:

- *the evolution of the threat landscape facing our customers and prospects;*
- *our ability, and the effects of our efforts, to educate the market regarding the advantages of our security solutions;*
- *our ability to continue to grow revenues, in particular annual recurring revenues from subscriptions;*
- *our future financial and operating results;*
- *our business plan and our ability to effectively manage our growth and associated investments;*
- *our beliefs and objectives for future operations;*
- *our ability to attract and retain customers and to expand our solutions footprint within each of these customers;*
- *our expectations concerning customer retention rates as well as expectations for the value of subscriptions and services renewals;*
- *our ability to maintain our competitive technological advantages against new entrants in our industry;*
- *our ability to timely and effectively scale and adapt our existing technology;*
- *our ability to innovate new and enhanced offerings and bring them to market in a timely manner;*
- *our ability to build strategic partnerships with security product companies that the FireEye Products business previously competed with;*
- *our ability to design and build a platform that is agnostic and can work with other security systems and products;*
- *our ability to maintain, protect, and enhance our brand and intellectual property;*
- *our ability to expand internationally;*
- *the effects of increased competition in our market and our ability to compete effectively;*
- *cost of revenue, including changes in costs associated with our services and customer support;*
- *trends in operating expenses, including changes in research and development, sales and marketing, and general and administrative expenses;*
- *anticipated income tax rates;*
- *potential attrition and other impacts associated with restructuring;*
- *sufficiency of cash to meet cash needs for at least the next 12 months;*
- *our ability to generate cash flows from operations and free cash flows;*
- *our ability to capture new, and renew existing, contracts with the United States and international governments;*
- *our expectations concerning relationships with third parties, including strategic partners, channel partners and logistics providers;*
- *economic and industry trends or trend analysis;*

- *the impact of the COVID-19 pandemic and related public health measures on our business and the global economy;*
- *the attraction, training, integration and retention of qualified employees and key personnel;*
- *future acquisitions of or investments in complementary companies, products, subscriptions or technologies;*
- *our expectations, beliefs, plans, intentions and strategies related to our acquisition of Respond Software, Inc. and Intrigue Corp.;*
- *our expectations, beliefs, plans, intentions and strategies related to our divestiture of the FireEye Products business to a consortium led by Symphony Technology Group including, our expectations related to the transition services agreement and the impact of the divestiture on our remaining business;*
- *costs and any benefits of our divestiture of the FireEye Products business; and*
- *the effects of seasonal trends on our results of operations*

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in “Risk Factors” included in Part I, Item 1A and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the forward-looking events and circumstances discussed in this Annual Report on Form 10-K may not occur, or unanticipated events or circumstances that we did not foresee may materialize, either of which could cause actual results to differ materially and adversely from those anticipated or implied in our forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances described in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report on Form 10-K to conform these statements to actual results or to changes in our expectations, except as required by law.

You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed with the SEC as exhibits to this Annual Report on Form 10-K with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

PART I

Item 1. Business

General

Mandiant, Inc. is a global cybersecurity company with a mission to protect our customers from cyber-attacks using innovative technology, intelligence and expertise from the front lines.

We provide intelligence-based cybersecurity solutions and services that allow organizations to prepare for, prevent, investigate, respond to and remediate cyber-attacks, including attacks that target on-premises, cloud, and critical infrastructure environments.

We have evolved our business from a focus on appliance-based detection and prevention of stealthy and targeted cyber-attacks in customers' on-premise networks by expanding our portfolio of technologies and services to help customers address today's cybersecurity challenges. These challenges include a constantly evolving threat environment, expanding attack surfaces, ongoing digital transformation initiatives, and an acute shortage of cybersecurity talent.

We accomplish this through the integration of our core competitive advantages across our portfolio of cybersecurity solutions and services. Our core competitive advantages include:

- our accumulated security expertise derived from responding to thousands of significant breaches over the past 15 years,
- our intelligence on threats and threat actors based on our experience responding to thousands of significant security incidents every year, as well as threat intelligence gathered by our security analysts, consultants and the continuous flow of machine-based threat data from our global network of threat sensors and virtual machines and,
- our technologies, including artificial intelligence-based extended detection and response ("XDR") technologies, our security validation technology, our machine-learning, behavioral-based, and rules-based threat detection, analysis and correlation technologies, and attack surface management.

We design our cybersecurity solutions to rapidly incorporate the latest threat intelligence as the threat environment evolves. Through our work on the front lines, we learn the tactics, techniques and procedures ("TTPs") attackers are using to circumvent current security safeguards. Our expertise and threat intelligence fuels our detection, validation, and automated response capabilities and becomes an integral component of our technologies in a cycle of intelligence-driven innovation. We also offer managed and consulting services to our customers to augment their internal security resources, to aid in the deployment and management of our solutions and to provide expertise on-demand when needed.

We believe that the combination of our technologies, threat intelligence and security expertise allows us to deliver more effective cybersecurity SaaS solutions and services, help customers improve the effectiveness of their cyber defense and security investments, and enables us to build long-term relationships with our customers.

We market our solutions and services under the Mandiant brand.

Mandiant helps customers improve their resilience to cyber-attacks by automating and operationalizing our intelligence and expertise in software, and by augmenting internal resources with Mandiant expertise through managed services as well as on demand and consulting services. Our Mandiant solutions include our controls-agnostic threat intelligence, validation, attack surface management and XDR SaaS solutions, as well as our portfolio of managed services and consulting services. We have developed the Mandiant Advantage platform to be a single portal for customers to access all Mandiant Advantage modules and to integrate with our customers' existing security technology environment.

In January 2020, we acquired Cloudvisory LLC ("Cloudvisory"), a provider of cloud visibility and control solutions.

In November 2020, we acquired Respond Software, Inc. (“Respond Software”), a cybersecurity investigation automation company.

In December 2020, we issued and sold 400,000 shares of a newly designated 4.5% Series A Convertible Preferred Stock, par value \$0.0001 per share, at a price of \$1,000 per share, for an aggregate purchase price of \$400.0 million.

In May 2021, we entered into an Asset Purchase Agreement, pursuant to which we agreed to sell the FireEye Products business to a consortium led by Symphony Technology Group (“STG”). The transaction closed on October 8, 2021.

In June 2021, we announced a stock repurchase program for the repurchase of up to \$500 million of our common stock. There is no expiration date on this authorization, and we may suspend, amend or discontinue the repurchase program at any time. During the year ended December 31, 2021, we repurchased 16.8 million shares of our common stock for \$300.0 million, at an average repurchase price of approximately \$17.81 per share. The repurchases were recorded to additional paid-in capital as we are in an accumulated net deficit position.

In August 2021, we acquired Intrigue Corp (“Intrigue”), a developer of attack surface management technology.

As of December 31, 2021, we had approximately 5,300 end-customers; approximately 48% are included in the Forbes Global 2000. Our customers include leading enterprises in a diverse set of industries, including telecommunications, technology, financial services, public utilities, healthcare and oil and gas, as well as leading U.S. and international governmental agencies.

For the years ended December 31, 2021, 2020 and 2019, our revenue was \$483.5 million, \$399.7 million and \$331.4 million, respectively, representing year-over-year growth of 21% for the year ended December 31, 2021 and 21% for the year ended December 31, 2020. We recognized net losses from continuing operations of \$412.1 million, \$349.3 million and \$362.9 million for the years ended December 31, 2021, 2020 and 2019, respectively. We recognized net income after discontinued operations of \$897.7 million for the year ended December 31, 2021 and net losses after discontinued operations of \$213.0 million and \$257.4 million for the years ended December 31, 2020 and 2019, respectively.

Impact of COVID-19 on our Business

In March 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a global pandemic. We operate in geographic locations that have been impacted by COVID-19. The pandemic has impacted, and could further impact, our operations and the operations of our customers as a result of quarantines, various local, state and federal government public health orders, facility and business closures, and travel and logistics restrictions. With our COVID-19 safety plans, work-from-home and return-to-office policies and restricted employee travel to essential, business-critical trips we were able to maintain strong customer relationships and deliver our technology-enabled managed and professional services to customers without interruption. As a result, we did not incur significant disruptions to our operations during the year ended December 31, 2021 due to the pandemic.

We anticipate governments and businesses may take additional actions or extend existing actions to respond to the risks of the COVID-19 pandemic, including any recurrence of the virus or its variants. We continue to actively monitor the impacts and potential impacts of the COVID-19 pandemic in all aspects of our business. Although we are unable to predict the impact of the COVID-19 pandemic on our business, results of operations, liquidity or capital resources at this time, we expect we may be negatively affected if the pandemic and related public health measures further result in substantial supply chain problems, disruptions in local and global economies, volatility in the global financial markets, overall reductions in demand, delays in payment, or other ramifications from the COVID-19 pandemic.

For a further discussion of the uncertainties and business risks associated with the COVID-19 pandemic, see the section entitled “Risk Factors” in Part I, Item 1A of this Annual Report on Form 10-K.

Available Information

Our principal executive offices are located at 11951 Freedom Drive, 6th Floor, Reston, VA 20190, and our telephone number is (703) 935-1700.

Our website is www.mandiant.com. Information contained on, or that can be accessed through, our website is not incorporated by reference into this report, and you should not consider information on our website to be part of this report. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the Investor Relations portion of our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The contents of these websites are not incorporated into this filing.

Investors and others should note that we announce material financial information to our investors using our investor relations website (<https://investors.mandiant.com>), SEC filings, press releases, public conference calls and webcasts. We use these channels, as well as social media, to communicate with the public about our company, our services and other issues. It is possible that the information we post on social media could be deemed to be material information.

Our Cybersecurity SaaS Solutions and Services

Our SaaS solutions and services are designed to help organizations of all sizes improve their resilience to cyber-attacks and reduce the risks of a costly breach. We market our solutions and services under the Mandiant brand. Mandiant helps customers prevent, detect, investigate, and respond to cyber-attacks.

Platform, cloud subscription and managed services

Mandiant Advantage SaaS Solutions

Mandiant Advantage is a controls-agnostic SaaS platform that helps customers improve their security profile with software that operationalizes our intelligence in their environments and managed services that augment internal resources, regardless of the security control products deployed. Mandiant's SaaS offerings include our threat intelligence subscriptions, our security validation, attack surface management and XDR software-as-a-service solutions, and our managed services where Mandiant experts manage our SaaS solutions for our customers. We developed the Mandiant Advantage SaaS platform to be a single portal for Mandiant customers.

Subscriptions to Mandiant SaaS solutions are typically offered for one- or three-year terms and are usually invoiced for the full term of the subscriptions up-front.

Mandiant Advantage — Threat Intelligence is a powerful SaaS-based module within the Mandiant Advantage platform that provides organizations of all sizes with up-to-the-minute, relevant cyber threat intelligence so they can focus on and address the threats that matter now.

Threat Intelligence is available in three subscription levels through the Mandiant Advantage platform:

- Free subscription includes publicly known vulnerability and threat intelligence overlaid with Mandiant insights and threat scores to provide situational awareness;
- Security Operations subscription provides intelligence on actors, malware and vulnerabilities to help customers prioritize alerts and understand the attacker, capabilities and motivations behind security events; and
- Fusion subscription provides in-depth analysis of threat actors, technical and dark web research findings, and incident response intelligence to enable informed cyber defense investments and decisions.

Our Digital Threat Monitoring and Vulnerability modules are included in Fusion, and are available as add-on subscriptions to Security Operations and Free subscription levels. Digital Threat Monitoring helps

customers identify unknown breaches and high probability attacks by using customer-defined key words and our automated web reconnaissance technology to analyze content on the open and dark web for credential leakage, public data exposure and other potential threats. Our Vulnerability add-on subscription provides notifications on new zero-day vulnerabilities and analysis of likely usage by threat actors to enable targeted resolution.

Mandiant Advantage Security Validation. Security Validation allows organizations to measure, manage and communicate the effectiveness of their security controls. The solution is led by the latest threat intelligence and safely emulates attack behaviors and malware within customer environments and aggregates, analyzes and reports on security controls ability to detect, prevent and generate alerts. Customers use validation findings to identify gaps in security defense, often due to equipment misconfigurations and environmental drift within the IT environment, as well as identify opportunities for optimization and cost rationalization. Security Validation may be used to automate testing and reporting of industry attack frameworks, including MITRE ATT&CK Framework and NIST, with an extensive content library of global threat actors and relevant threats powered by Mandiant Advantage Threat Intelligence.

Our Security Validation architecture includes extensive out-of-the-box integrations that span across organizations' entire security environment and authentically challenges security controls across the full attack life cycle, arming security leaders with data to quantify risk and prove security effectiveness and the value of their investments. Based on customer's desired business outcomes or specific threats, Security Validation is available as a cloud-based security-as-a-service or deployed as a virtual appliance on-premise, a SaaS solution or managed service overseen by Mandiant experts.

Mandiant Advantage Automated Defense (formerly Respond Security Analyst) is a cloud-native XDR solution that automates the analysis of data from control points, security solutions and analytics at machine-speed to identify and prioritize high risk security events for further investigation. Automated Defense uses artificial intelligence techniques, including probabilistic mathematics and an integrated reasoning engine to mimic the judgement of security analysts. Automated Defense integrates with security products from more than 65 security and IT vendors and is available as cloud-based software-as-a-service or a detection and response service or as a managed detection and response service overseen by Mandiant experts.

Managed services. We offer managed detection and response ("MDR") and managed validation services overseen by Mandiant experts with frontline experience to augment internal security resources. Our Managed Defense MDR service is available to provide nights and weekends coverage, managed endpoint security, and managed security for industry control systems ("ICS") and operational technology (OT) environments using our detection and response technologies. Our Managed Validation service utilizes our Security Validation software to test security effectiveness based on pre-defined customer parameters.

Professional Services

Mandiant professional services include industry-leading incident response, security assessment, transformation consulting and training services with remote and on-site tactical support. Our services help organizations effectively prepare for, prevent, investigate, respond to and remediate cyber-attacks to minimize the impact of an attack before, during and after an incident.

- *Incident response services.* Mandiant incident response services include investigation, containment, remediation and crisis management services to help organizations resolve security incidents quickly. We also offer compromise assessments to help clients understand if they are currently compromised and incident response retainers to pre-negotiate rates and establish an SLA.
- *Security assessment services.* Our security assessment capabilities cover a broad spectrum of offerings that help organizations evaluate their ability to prevent, detect, respond, and contain cyber threats before they disrupt the business. Services include security program assessments covering the entire enterprise, including cloud and remote access environments, ransomware, cybersecurity risk, security due diligence, insider threats and industrial controls. We also offer response readiness assessments and tabletop exercises to help organizations test their incident preparedness and hone their skills. Additionally, we can help organizations evaluate their ability to detect and respond to attacks with red and purple team exercises and penetration testing, as well as a number of targeted assessment services covering specific components of the enterprise environment.

- *Security transformation services.* Our cyber threat intelligence and cyber defense operations transformation services help organizations build, develop, and mature their cyber defense capabilities by improving an organizations detection, response, containment and remediation capabilities. Mandiant Consulting provides hand-on support to design and implement and operate cyber threat intelligence and incident response processes and solutions within the existing cyber defense environment.
- *Cybersecurity training.* We offer instructor-led and self-paced online courses to our customers and channel partners through our training department and authorized training partners. Courses draw from the full spectrum of Mandiant capabilities, including advanced cyber threat intelligence analysis, frontline incident response expertise, red teaming and malware reversing developed by Mandiant experts.
- *Mandiant Expertise On Demand.* Expertise On Demand is an annual subscription for flexible, pay-per-use access to our threat intelligence and expertise as microservices. Customers purchase packages of units based on their anticipated needs and use the units to access threat intelligence and Mandiant services, including our incident response retainer at pre-determined unit values. Unused units typically expire one year after purchase.

For contributions to total revenue by significant category of revenues, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part II, Item 7 of this Annual Report on Form 10-K.

Our Technologies

We have developed proprietary technologies related to machine-based threat detection, continuous security controls validation, security orchestration, and automated extended detection and response. Our technologies leverage our frontline intelligence about threat actors’ tools and techniques, gathered through our incident response and security assessment engagements, the analysis of our machine-generated threat intelligence, and our network of security researchers, to adapt to new threats and changes in the threat environment. We use our technology in the delivery of our services, and believe these technologies, combined with our threat intelligence and security expertise, differentiate our products.

Security Validation. Our security validation software is designed to emulate attacker TTPs, including malware and ransomware, to safely deploy and execute code within customer production IT environments to understand an organization’s level of cyber preparedness.

Automated Extended Detection and Response. Our XDR technology uses multiple AI and machine-learning capabilities, including integrated reasoning, dynamic scoping and reprioritization, and probabilistic mathematics, to mimic security experts’ judgement at machine-speed in the investigation, scoping and prioritizing of security alerts. The AI and machine-learning models are trained using Mandiant frontline intelligence and expertise to learn from, and adapt to, the evolving threat environment.

Evolved Security Architecture and Security Orchestration. Our products, SaaS solutions, and services are designed to operate as part of a comprehensive security architecture to defend organizations against today’s cyber threats and minimize the business impact of cyber-attacks through efficient security operations and validation of security effectiveness. The ability to monitor and inspect network and email traffic, as well as stored files and forensic data, cloud activity, and equipment configurations is critical to detecting cyber threats and reducing the risk of a costly cyber breach. We combine this visibility with our dynamic, contextual and strategic threat intelligence, case management tools and AI-based XDR engine to enable rapid, prioritized responses to critical alerts. Our SOAR tools and technologies integrate with Helix and our XDR solutions to extend security processes and response activities across the IT infrastructure.

Customers

Our customer base has grown to approximately 5,300 end-customers as of December 31, 2021; approximately 48% are included in the Forbes Global 2000. We provide security control products, SaaS solutions and services to customers of varying sizes, including enterprises, governmental agencies and educational and nonprofit organizations. Our customers include leading enterprises in a diverse set of

industries, including telecommunications providers, financial services entities, software, technology and Internet companies, stock exchanges, electrical grid operators, networking vendors, oil and gas companies, healthcare and pharmaceutical companies and leading U.S. and international governmental agencies.

Our business is not dependent on any particular end-customer as no end-customer represented more than 10% of our total revenue for any of the years ended December 31, 2021, 2020 or 2019. For the years ended December 31, 2021 and 2020, one reseller represented 10% of the Company's total revenue, but did not represent 10% or greater of the Company's total revenue for the year ended December 31, 2019.

Backlog

Orders for our subscriptions are typically billed in their entirety shortly after receipt of the order, even when the delivery term for the subscription or service extends over multiple periods. These amounts are included in deferred revenue, although the timing of revenue recognition for subscriptions and services may vary depending on the contractual service period or when services are rendered.

In certain instances, a customer may request periodic billing on a multi-period subscription or service contract or we may not have a contractual right to bill at period end. In these instances, the amount billed is included in deferred revenue and the amount to be billed in the future periods is included in backlog. Subscription and services backlog has historically represented approximately 5% of our deferred revenue. As a result, we do not believe that our backlog at any particular time is meaningful because it does not represent a material component of future revenue in any given period.

We expect that the amount of backlog relative to the total value of our contracts will change from year to year due to several factors, including the amount invoiced early in the contract term, the timing and duration of customer agreements, varying invoicing cycles of agreements and changes in customer financial circumstances. Accordingly, we believe that fluctuations in backlog are not a reliable indicator of future revenues and we do not utilize backlog internally as a key management metric.

Sales and Marketing

Sales. Our sales organization consists of in-house sales teams who work in collaboration with external channel partners to identify new sales prospects, sell additional subscriptions and services, and provide post-sale support. Our field sales team is organized by territory and is responsible for enterprise and government accounts within their region. Our inside sales organization is responsible for sales to medium-sized and smaller organizations, and for renewal of existing subscriptions.

We also have a dedicated team focused on channel sales who manage the relationships with our value-added reseller and distributor partners and work with these channel partners to win and support customers. We believe this hybrid direct/channel sales approach allows us to leverage the benefits of broader market coverage provided by a reseller channel while maintaining a direct connection with many of our customers, including key enterprise and government accounts.

We have also cultivated alliances with non-traditional partners to generate customer referrals and extend our technologies, services and sales coverage to new market segments. These strategic partnerships include relationships with technology companies, insurance providers, large systems integrators, and managed service providers, and we have engaged in joint solution development with leading providers of software engineering services, payment systems, and public cloud platforms.

As part of our sales strategy, we often provide prospective customers with our solutions for a short-term evaluation period, typically ranging from one week to several months. During this period, the prospective customer conducts evaluations with the assistance of our sales engineers and members of our security research team. We believe that by providing proof of value evaluations to potential customers, we are able to demonstrate the effectiveness of our solutions by identifying suspicious and potentially malicious content in their actual IT environments.

As part of our strategy to increase adoption of our Mandiant Advantage platform and modules, we offer free access to publicly available threat intelligence enhanced with Mandiant threat scoring and other contextual

information. The availability of additional information and features included with a paid subscription is shown to users within the platform to encourage paid upgrades.

Additionally, our Mandiant consultants use our validation and ASM solutions in their incident response and security consulting engagements, providing de facto proof of value evaluations in the customer's environment and often resulting in follow-on sales of our solutions.

Our sales cycle varies by industry and can be long and unpredictable, but is typical of large, complex enterprise sales cycles that can last several months or more. However, some transactions can close in a few weeks when an active breach is discovered.

Our sales organization is supported by sales engineers with deep technical domain expertise who are responsible for pre-sales technical support, solutions engineering for our customers, proof of value work and technical training for our channel partners. Our sales engineers also act as the liaison between customers and our marketing and product development organizations. Our Customer Success organization is focused on improving our customers' post-sales experience to increase customer satisfaction, retention and cross-selling.

Marketing. Our marketing is focused on fostering our thought leadership in cybersecurity, building our brand reputation and market awareness for our solutions, driving customer demand and a strong sales pipeline, and working with our channel and technology alliance partners around the globe. Our marketing team consists primarily of corporate marketing, product marketing, channel marketing, account/lead development, marketing operations, and corporate communications.

Marketing activities include demand generation, advertising, product pricing and launch activities, managing our corporate website and partner portal, trade shows and conferences, press and analyst relations, and customer awareness. We are also actively engaged in driving global thought leadership programs through blogs, media appearances, and social media and developing rich digital content such as our annual M-Trends report, our Vision digital magazine, and our webinars, podcasts and threat reports.

Technology Alliance Partners

Mandiant has built a robust ecosystem of technology alliance partners that extends the breadth and depth of our solutions. Spanning multiple technology categories, including network monitoring vendors, security information and event management vendors, network equipment vendors, forensic software vendors, web application firewall vendors, cloud platform providers, and more. These partnerships provide for threat intelligence sharing, cross-vendor technology integrations, joint go-to-market efforts and solution development collaborations.

Our technology alliances accelerate the time to realize value from Mandiant solutions and help ease the complexity organizations face implementing and managing multi-layered, multi-vendor security solutions.

Government Affairs

We maintain relationships with governments around the globe, both as a cybersecurity solutions provider and a trusted advisor. Our visibility into the threat landscape, knowledge of threat actors' activities, and thought leadership in defending against cyber threats has helped to shape legislative, regulatory, and policy frameworks to enhance governments' individual and collective cyber posture. As part of this effort, we contribute to the evolving standard-making processes, help define best practices in various jurisdictions, and help organizations of all sizes and at all levels of government better understand the cyber threat landscape. We also help governments identify future needs and requirements and consider actionable policy recommendations to address critical cybersecurity challenges, from establishing international norms in cyberspace to defending critical infrastructure. Through these and related activities, we engage on the front lines of emerging cybersecurity-related public policy and use our knowledge and insight to improve the cybersecurity of our government and industry customers.

Research and Development

We invest substantial resources in research and development to develop new solutions, enhance our detection, analysis and correlation engines, expand our threat intelligence, build add-on functionality to our

solutions, and improve our core technologies. We believe that adapting our software and cloud-based technologies to changes in the threat environment is critical to maintaining and expanding our leadership in the cybersecurity industry. We have prioritized investments in higher growth opportunities, including security validation, automated extended detection and response, and machine learning capabilities to provide threat intelligence, security effectiveness testing, unified reporting, and automated response features to customers in the Mandiant Advantage platform.

Our engineering teams have deep security and data management expertise and work closely with our customers and our Mandiant consultants to identify current and future needs. Our Mandiant consultants use our solutions in their incident response and security assessment engagements and provide continual feedback to our engineering, solutions management and marketing teams on solutions performance, detection efficacy, evasion techniques and attack trends. This continuous feedback mechanism allows us to adapt our SaaS solutions as the threat environment evolves.

In addition to our focus on platform development and enhancement, our research and development teams are focused on developing automation technologies using artificial intelligence and machine learning techniques to create learning systems that adapt to changes in the threat environment and generate efficiencies across our solutions and services offerings.

We maintain research and development activities across the globe with teams located in India, Ireland, Singapore and the United States.

Competition

We operate in the intensely competitive IT security market which is characterized by constant change and innovation. Changes in the threat landscape and broader IT infrastructures result in evolving customer requirements for cybersecurity. Several vendors have either introduced new products or incorporated features into existing products that compete with our solutions. Our current and potential future competitors fall into five general categories:

- large companies such as IBM, Oracle and HPE that have acquired security solutions and have the technical and financial resources to bring competitive solutions to the market;
- independent security vendors such as Palo Alto Networks, Proofpoint and CrowdStrike that offer products or features that claim to perform similar functions to our platform;
- small and large companies, including new market entrants, that offer niche security solutions that compete with some of the features present in our solutions;
- providers of managed security services, such as CrowdStrike, Arctic Wolf; and
- Rapid7 and other providers of MDR and security consulting services, including incident response and compromise assessment services.

As our market grows and a larger share of IT budgets is allocated to cybersecurity, it will attract more highly specialized vendors as well as larger technology vendors that may continue to acquire or bundle their products more effectively. The principal competitive factors in our market include:

- breadth and richness of the threat intelligence, including dynamic and contextual threat intelligence on cyber crime, cyber espionage, hacktivism, attacks on critical infrastructure and nation-state attacks;
- the ability to operationalize a combination of technology, intelligence and expertise necessary to enable organizations to combat the current threat landscape and rapidly adapt to changes;
- the ability to integrate with third-party IT and security providers to provide visibility, prioritization of threats, and automate security processes across on-premise, remote, cloud, hybrid and critical infrastructure environments;
- the ability to measure, manage and communicate the effectiveness of security controls against relevant attacks;
- the availability of security expertise to augment internal resources with managed services, training, and on-demand consulting;

- the ability to consolidate features onto a single platform, thereby reducing the complexity of maintaining solutions from multiple vendors;
- ability to detect and prevent known and unknown threats using machine-learning, behavioral analysis, and other techniques, combined with the latest threat intelligence;
- flexible deployment options, including cloud-based software expert-assisted capabilities, and fully managed options;
- scalability, throughput and overall performance of our detection and prevention technologies;
- brand awareness and reputation;
- strength and effectiveness of sales and marketing efforts;
- ease of use and customer experience; and
- price and total cost of ownership.

We believe we compete favorably with our competitors on the basis of these factors as a result of our intelligence and expertise from the frontlines, as well as the features and performance of our solutions, the ease of integration of our solutions in diverse IT environments, the breadth of our services, the integration of our SaaS solution offerings in our platform, the measurement and reporting capabilities of our validation technologies, and the reputation of our Mandiant consulting organization. However, many of our competitors have substantially greater financial, technical and other resources, greater name recognition, larger sales and marketing budgets, deeper customer relationships, broader distribution, and larger and more mature intellectual property portfolios.

Intellectual Property

Our success depends in part upon our ability to protect our core technologies and intellectual property. We rely on, among other things, patents, trademarks, copyrights, database rights and trade secret laws, confidentiality safeguards and procedures, and employee non-disclosure and invention assignment agreements to protect our intellectual property rights. We file patent applications to protect our intellectual property and believe that the duration of our issued patents is sufficient when considering the expected lives of our products. We cannot assure you whether any of our patent applications will result in the issuance of a patent or whether the examination process will result in patents of valuable breadth or applicability. In addition, any patents that may be issued may be contested, circumvented, found unenforceable or invalidated, and we may not be able to prevent third parties from infringing them. We also license software from third parties for integration into our products, including open source software and other software available on commercially reasonable terms.

We control access to and use of our proprietary software, technology and other proprietary information through the use of internal and external controls, including contractual protections with employees, contractors, end-customers and partners, and our software is protected by U.S. and international copyright, patent and trade secret laws. Despite our efforts to protect our software, technology and other proprietary information, unauthorized parties may still copy or otherwise obtain and use our software, technology and other proprietary information. In addition, we intend to expand our international operations, and effective patent, copyright, trademark, and trade secret protection may not be available or may be limited in foreign countries.

Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent and other intellectual property rights. If we become more successful, we believe that competitors will be more likely to try to develop products that are similar to ours and that may infringe our proprietary rights. It may also be more likely that competitors or other third parties will claim that our products infringe their proprietary rights. In particular, large and established companies in the cybersecurity industry have extensive patent portfolios and are regularly involved in both offensive and defensive litigation. From time-to-time, third parties, including certain of these large companies and non-practicing entities, may assert patent, copyright, trademark, and other intellectual property rights against us, our channel partners, our cloud platform providers, or our end-customers, whom our standard license and other agreements obligate us to indemnify against such claims. Successful claims of infringement by a third

party, if any, could prevent us from distributing certain products or performing certain services, require us to expend time and money to develop non-infringing solutions, or force us to pay substantial damages (including, in the United States, treble damages if we are found to have willfully infringed patents), royalties or other fees. We cannot assure you that we do not currently infringe, or that we will not in the future infringe, upon any third-party patents or other proprietary rights. See “Risk Factors — Risks Related to Intellectual Property and Technology Licensing — Claims by others that we infringe their proprietary technology or other rights could harm our business” for additional information.

Business Seasonality

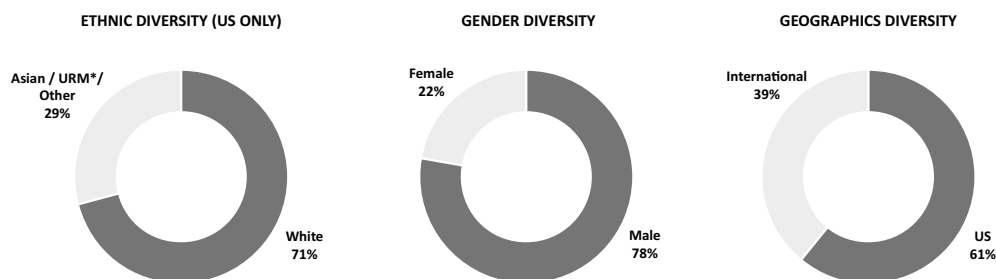
For discussion of seasonal trends, see our quarterly results of operations discussion within “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part II, Item 7 of this Annual Report on Form 10-K.

Employees and Human Capital Management

We believe our ability to attract, engage and retain talent is necessary to drive achievement of our business objectives and ultimately realize our mission and vision. Doing the right thing for our customers and employees is a core value of our culture that we believe creates value for our shareholders. There are many things that define the culture of an organization — heritage, reputation, attitude, approach to execution, work ethic, and, most importantly, people. We seek out employees with qualities that facilitate high-quality results — those traits that give personal meaning to work and elevate our customers’ experiences. We believe that employees who feel appreciated create more satisfied customers, and we focus on improving and elevating our employees’ experiences at work. This means we are committed to providing a sense of belonging across our company that inspires everyone to respectfully speak-up, contribute their ideas, take action and be accountable. Our fundamental employee experience philosophies are:

- We emphasize our ONE TEAM culture of respect and inclusiveness.
- We make recognition an integral part of our culture.
- We care about our employees and their overall well-being.
- We reward extraordinary performance and results.

Employee demographics. As of December 31, 2021, we had approximately 2,335 employees, reflecting a global diversity of identity, background and experience.



* Under-represented minorities

Diversity, inclusion and belonging. We believe that diverse teams maximize their potential and bring with them diverse views, experiences and perspectives. We seek to integrate diversity and inclusion into the employee lifecycle, and are committed to providing a work environment that is free of discrimination and harassment, where our employees can do their best work, bring their full self to work, feel supported and in turn support others. We strive to create a working environment where everyone feels included and respected and has an equal opportunity to contribute and to maximize their potential. We have established a framework to drive diverse representation and inclusive behaviors across our company that includes actions to ensure equality of opportunity, increase diversity in our employee base, promote equality of pay across gender and ethnicity, and provide anti-bias training and education. We also seek to promote diversity and inclusion in our communities by supporting organizations that champion diversity and inclusion initiatives. In addition, we continue to

invest in Mandiant-sponsored programs such as Elevate, which offers training, mentoring and other resources to women leaders in cybersecurity, and partnerships with military and veterans organizations.

Compensation and benefits. We are committed to providing employees and their families with benefits packages that support physical, mental and financial well-being. Our intent is that any benefit plans offered by Mandiant worldwide are regionally appropriate and competitive with other high-tech companies. In addition to the foundational rewards like competitive pay and benefits, we provide cash incentives, equity-based compensation and employee stock purchase programs where possible, generous paid time-off, including paid parental leave, professional development opportunities, and many other employee perks. We constantly review our pay practices and benefits to ensure we can hire the best employees possible. We also believe that equal pay is important to further advance diversity, inclusion and belonging in the workplace. In addition, we conduct an internal pay equity review each year which currently encompasses compensation analysis across gender globally as well as race and ethnicity categories in the U.S.

Our response to COVID-19. As part of our efforts to keep our employees safe and support efforts to slow the spread of COVID-19, we instituted COVID-19 safety plans, work-from-home and return-to-office policies, and we restricted travel to essential, “business-critical” needs. With the support and commitment of our employees, we were able to seamlessly pivot to a work-from-home model and continue protecting our customers without interruption. We believe open and on-going communications have been critical to maintaining our culture and productivity during the pandemic, and we hosted weekly update calls and created an internal website designed for this purpose. We also instituted multiple measures to maintain the health and well-being of our employees, while continuing to deliver our essential cybersecurity solutions to customers around the world. Specific measures included regular employee surveys to assess employee attitudes toward work location, “self-care days” to enable rest, volunteering, or family time, online training, wellness and support programs, and a stipend to office-based employees to assist in the functional set-up of their remote working environment. Our Pandemic Response Team continues to monitor conditions and mandates globally to ensure safe practices as the pandemic evolves.

Professional development and training. We believe that a culture that encourages continued learning and development creates an environment where great people want to work and contribute their best efforts. We also believe that great leadership is how organizations endure and excel. To help our leaders, individual contributors and teams reach their full potential, we offer extensive training and career development resources internally through our Learning and Development organization. These include leadership, soft skills, and technical training, coaching, and development consulting via traditional and non-traditional learning events, as well as free access to online learning platforms such as LinkedIn Learning. We also offer tuition reimbursement program for employees who wish to further their formal education. To reinforce our corporate culture of respect, diversity and inclusion, each employee is required to complete anti-harassment and privacy awareness training annually. In addition, we offer employees a course on Breaking Bias: The Neuroscience of Diversity, Inclusion and Belonging, to build awareness of cognitive bias and how it impacts day-to-day interactions, people, business and life decisions. We also implemented additional training resources to support our diversity, inclusion and belonging programs in 2021.

Communication and engagement. We strongly believe that our culture depends on our employees’ engagement and understanding of their contribution to the achievement of our strategic imperatives, vision and mission. Communicating powerfully and prolifically is a core competency in our ONE TEAM framework, and our senior leaders communicate regularly through a variety of channels, including quarterly all-hands meetings that are broadcast globally, weekly CEO updates, a monthly newsletter and regular “Mandiant on a Mission” updates. We also enabled Yammer, the community and social interaction tool available in Office365, company-wide to address the need for more social and community interaction in our globally diverse workforce. We have many active Yammer communities, including communities hosted by our employee resource groups Valor, Pride, and BOLD: Black Organization for Leadership and Development. In addition to prioritizing regular communications, we conduct regular employee surveys to seek feedback on what is going well and where we can focus our efforts to do more. Our annual company survey continues to surpass 80 percent participation rate each year, representing a wide cross segment of our employee population.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties including those described below. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties

that we are unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the following risks or others not specified below materialize, our business, financial condition and results of operations could be materially adversely affected. In that case, the trading price of our common stock could decline.

Summary

- If we are unsuccessful at executing our business plan and necessary transition activities following the sale of the FireEye Products business, our business and results of operations may be adversely affected and our ability to invest in and grow our business could be limited.*
- We may not achieve the intended benefits of the sale of the FireEye Products business.*
- If the IT security market does not continue to adopt our security solutions, our sales will not grow as quickly as anticipated, or at all, and our business, results of operations and financial condition would be harmed.*
- We have had operating losses each year since our inception, and may not achieve or maintain profitability in the future.*
- We face intense competition and could lose market share to our competitors, which could adversely affect our business, financial condition and results of operations.*
- Real or perceived defects, errors or vulnerabilities in our solutions or services, the misconfiguration of our solutions, the failure of our solutions or services to detect or respond to a security breach or incident, or the failure of customers to take action on attacks identified by our solutions could harm our reputation and adversely impact our business, financial position and results of operations.*
- Our results of operations may vary significantly from period to period, which could cause the trading price of our common stock to decline or fluctuate materially.*
- If we are unable to retain our customers, renew and expand our relationships with them, and add new customers, we may not be able to sustain revenue growth and we may not achieve or maintain profitability in the future.*
- Our ability to manage our business and monitor results is highly dependent upon IT systems. A failure of these systems or our planned QTC and ERP implementations could have a material adverse effect on our business.*
- The implementation of our planned new ERP and change in related processes could negatively impact the effectiveness of our internal control over financial reporting.*
- We have experienced network or data security incidents in the past, and we may experience additional network or data security incidents in the future, which, whether actual, alleged or perceived, may harm our reputation, create liability and adversely impact our financial results.*
- If securities or industry analysts do not publish research or reports about our business, or publish inaccurate or unfavorable research reports about our business, our share price and trading volume could decline.*
- The price of our common stock has been and may continue to be volatile, and the value of your investment could decline.*
- Sales of substantial amounts of our common stock in the public markets, or sales of our common stock by our executive officers and directors under Rule 10b5-1 plans, could adversely affect the market price of our common stock.*

Risks Related to the Sale of the FireEye Products Business

If we are unsuccessful at executing our business plan and necessary transition activities following the sale of the FireEye Products business, our business and results of operations may be adversely affected and our ability to invest in and grow our business could be limited.

On October 8, 2021, we completed the sale of the FireEye Products business to Magenta Buyer LLC (“Trellix”), which is backed by a consortium led by Symphony Technology Group. This and other operational

transitions have involved turnover in management and other key personnel and changes in our strategic direction. Transitions of this type can be disruptive, result in the loss of focus and diminished employee morale and make the execution of business strategies more difficult. We also paid one-time separation costs, a portion of which was paid with proceeds from the transaction. We have also entered into a transition services agreement (the “TSA”) under which we currently provide assistance to Trellix including, but not limited to, business support services and IT services that have historically been provided to the FireEye Products business. We may experience delays in the anticipated timing of activities related to such transitions and higher than expected or unanticipated execution costs. If we do not succeed in executing on these transition activities while achieving our cost optimization goals, or if these efforts are more costly or time-consuming than expected, our business and results of operations may be adversely affected, which could limit our ability to invest in and grow our business. Even if we are successful at executing the transition of the FireEye Products business, the divestiture may not enhance long-term stockholder value as anticipated.

The TSA has an initial term of 12 months and may be extended by Trellix for up to two three-month extensions. Trellix may also terminate any or all services delivered pursuant to the TSA upon written notice, with such termination becoming effective the last day of the month following delivery of such notice. The TSA provides that Trellix will pay us a variable fee each month based on the specific services we have provided to it in the previous month. Once services terminate under the TSA, we will not receive the associated fees for providing services and our level of staffing and cost structure may no longer be appropriate for our business needs at that time. If we are not successful at optimizing our costs in performing the services under the TSA, or if we fail to effectively prepare for and manage the effect of the termination of services under the TSA, our business and results of operations may be adversely affected and our ability to invest in and grow our business could be limited.

We may not achieve the intended benefits of the sale of the FireEye Products business.

We may not realize some or all of the anticipated benefits from the sale of the FireEye Products business. The constraints on our business imposed by the divestiture, including the resources required to focus on completing the divestiture and the limitations created by the sale of certain assets we have historically used in our business, a non-compete, bilateral commercial agreements and the loss of employees, could have a continuing impact on the execution of our business strategy and our overall operating results. Further, our remaining employees may become concerned about the future of our remaining operations and lose focus or seek other employment.

We may not realize some or all of the anticipated benefits from the divestiture with respect to the anticipated performance in our remaining business and the divestiture may in fact adversely affect our business. Our ability to realize the anticipated benefits of the divestiture will depend, to a large extent, on our ability to successfully operate the remaining business as a standalone business and to grow and develop the remaining business in the absence of the divested business. For example, the transfer from us to Trellix of sales personnel that had been responsible for selling both FireEye products and our solutions, as well as any reduction in cross-selling opportunities with customers of FireEye products, could make it more difficult for us to grow our business. In addition, some of the anticipated benefits may not occur for a significant time period following the completion of the divestiture. If our strategy is not successful and does not achieve our expectations over the long term, our business and results of operations may be adversely affected and the price of our common stock could decline.

Our future results of operations are dependent solely on the operations of the Mandiant Solutions business and will differ materially from our previous results.

The FireEye Products business generated approximately 53% of our aggregate revenue from continuing and discontinued operations for the first three quarters of fiscal 2021, approximately 58% of our aggregate revenue from continuing and discontinued operations for fiscal 2020, and approximately 63% of our aggregate revenue from continuing and discontinued operations for fiscal 2019. Accordingly, our future financial results will differ materially from our previous results since our future financial results will be dependent solely on our Mandiant Solutions business. Any downturn in our Mandiant Solutions business could have a material adverse effect on our future operating results and financial condition and could materially and adversely affect the trading price of our common stock.

Because we depend in part on FireEye Products and product telemetry data in the operation of our business, disruptions in the availability of such products or product telemetry data could negatively impact our ability to operate our business and provide services to our customers.

Following the divestiture of the FireEye Products business, we continue to use and depend in part on FireEye Products and product telemetry data from FireEye Products in the operation of our Mandiant Solutions business. For example, in providing incident response services, we typically use a variety of FireEye Products as part of the investigation and remediation, and we use FireEye Product data for threat research, threat hunting and generating derivative content for our offerings such as Mandiant Security Validation. We have entered into a market cooperation and reseller agreement with Trellix to, among other things, purchase FireEye Products for our continued use in our consulting business. We have also entered into a strategic collaboration agreement with Trellix that allows us to, among other things, purchase telemetry data from FireEye Products until October 2024. However, there is an inherent risk that there could be a disruption in the availability of FireEye Products from Trellix or in the sharing of product telemetry data by Trellix, due to any number of events, including but not limited to supply chain disruptions, natural disasters or other events outside of the control of Trellix. Any such disruptions in the availability of such products or product telemetry data could negatively impact our ability to operate our business and provide services to our customers in the same manner as before our divestiture of the FireEye Products business, which could harm our reputation and adversely impact our business, financial position and results of operations.

Risks Related to Our Business and Our Industry

If the IT security market does not continue to adopt our security solutions, our sales will not grow as quickly as anticipated, or at all, and our business, results of operations and financial condition would be harmed.

Our future success depends on market adoption of our unique approach to IT security, which combines our technology, threat intelligence and security expertise in solutions that measure security effectiveness, investigate and respond to breaches and enable customers to adapt to changes in the threat environment. We are seeking to disrupt the IT security market with our security solutions. Our solutions interoperate with, but do not replace, other IT security solutions. Enterprises and governments may be hesitant to purchase our security solutions if they believe their existing solutions provide a level of IT security that is sufficient to meet their needs. Currently, many enterprises and governments have not allocated a fixed portion of their budgets to standalone threat intelligence or solutions that evaluate security effectiveness. As a result, to expand our customer base, we need to convince potential customers to allocate a portion of their discretionary budgets to purchase our technology, threat intelligence and expertise. However, even if we are successful in doing so, any future deterioration in general economic conditions, including as a result of the COVID-19 pandemic, may cause our customers to cut their overall IT spending, and such cuts may fall disproportionately on solutions like ours. If we do not succeed in convincing customers that our solutions should be an integral part of their overall approach to IT security and that a fixed portion of their annual IT budgets should be allocated to our solutions, our sales will not grow as quickly as anticipated, or at all, which would have an adverse impact on our business, results of operations and financial condition.

Even if there is significant demand for security solutions like ours, if our competitors include functionality that is, or is perceived to be, better than or equivalent to that of our solutions, we may have difficulty increasing the market penetration of our solutions. Furthermore, even if the functionality offered by other IT security providers is different and more limited than the functionality of our solutions, organizations may elect to accept such limited functionality in lieu of adding solutions and services from additional vendors like us, especially if competitor offerings are free or available at a lower cost.

In addition, changes in customer requirements could reduce customer demand for our security solutions. For example, if one or more governments share, on a free or nearly free basis, threat intelligence with other governmental agencies or organizations, such as critical infrastructure companies, then those agencies or organizations might have less demand for additional threat intelligence and may purchase less of our standalone threat intelligence offerings.

If enterprises and governments do not continue to adopt our security solutions for any of the reasons discussed above or for other reasons not contemplated, our sales would not grow as quickly as anticipated, or at all, and our business, results of operations and financial condition would be harmed.

We have had operating losses each year since our inception, and may not achieve or maintain profitability in the future.

We have incurred operating losses each year since our inception, including net losses of \$412.1 million, \$349.3 million and \$362.9 million during the years ended December 31, 2021, 2020 and 2019, respectively, relating to our Mandiant Solutions business. Any failure to increase our revenue and manage our cost structure as we grow our business could prevent us from achieving or, if achieved, maintaining profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. If we are unable to become and remain profitable, the value of our company could decrease and our ability to raise capital, maintain our research and development efforts, and expand our business could be negatively impacted.

We face intense competition and could lose market share to our competitors, which could adversely affect our business, financial condition and results of operations.

The market for security solutions and services is intensely competitive and characterized by rapid changes in technology, customer requirements, industry standards, threat vectors and frequent new product introductions and improvements. We anticipate continued challenges from current competitors, which in many cases are more established and enjoy greater resources than us, as well as by new entrants into the industry. If we are unable to anticipate or effectively react to these competitive challenges, our competitive position could weaken, and we could experience a decline in our growth rate or revenue that could adversely affect our business and results of operations.

Our current competitors include large cybersecurity vendors such as CrowdStrike, Palo Alto Networks and Rapid7 that have multiple offerings similar to ours; large accounting firms that offer incident response and strategic consulting services similar to ours; and other small and large companies that offer solutions or services that compete in some of our markets. Other IT providers offer, and may continue to introduce, security features that compete with our Mandiant Advantage platform and related solutions, either in stand-alone security products or as additional features in their network infrastructure products. Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages such as:

- greater name recognition, longer operating histories and larger customer bases;
- larger sales and marketing budgets and resources;
- broader distribution and established relationships with channel and distribution partners and customers;
- greater customer support resources;
- greater resources to make acquisitions or enter into strategic partnerships;
- lower labor and research and development costs;
- larger and more mature intellectual property portfolios; and
- substantially greater financial, technical and other resources.

In addition, some of our larger competitors have substantially broader offerings and may be able to leverage their relationships with distribution partners and customers based on other products or solutions to gain business in a manner that discourages users from purchasing our solutions, subscriptions and services, including by selling at zero or negative margins, product bundling or offering closed technology platforms. Potential customers may also prefer to purchase from their existing suppliers rather than a new supplier regardless of performance or features of the solutions. Furthermore, with the completion of our sale of the FireEye Products business, organizations that purchased both Mandiant Solutions offerings and FireEye Products offerings may decide to not continue purchasing Mandiant Solutions offerings if they desire to limit their number of existing suppliers for cybersecurity offerings. As a result, even if the features of our platform are superior, customers may not purchase our solutions. In addition, new innovative start-up companies, and larger companies that are making significant investments in research and development, may invent similar or superior solutions and technologies that compete with our platform. Our current and potential competitors

may also establish cooperative relationships among themselves or with third parties that may further enhance their resources. Further, as our customers refresh the security solutions bought in prior years, they may seek to consolidate vendors, which may result in current customers choosing to purchase solutions from our competitors instead of from us.

Some of our competitors have made or could make acquisitions of businesses that allow them to offer more competitive and comprehensive solutions. As a result of such acquisitions, our current or potential competitors may accelerate the adoption of new technologies that better address end-customer needs, devote greater resources to bring these products and services to market, initiate or withstand substantial price competition, or develop and expand their product and service offerings more quickly than we do. These competitive pressures in our market or our failure to compete effectively may result in price reductions, fewer orders, reduced revenue and gross margins, and loss of market share.

If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors or behavior of our existing customers, our business, financial condition and results of operations could be adversely affected.

Real or perceived defects, errors or vulnerabilities in our solutions or services, the misconfiguration of our solutions, the failure of our solutions or services to detect or respond to a security breach or incident, or the failure of customers to take action on attacks identified by our solutions could harm our reputation and adversely impact our business, financial position and results of operations.

Because our solutions and services are complex, they have contained and may contain design defects or errors that are not detected until after their deployment. Our solutions also provide our customers with the ability to customize a multitude of settings, and it is possible that a customer could misconfigure our solutions or otherwise fail to configure our solutions in an optimal manner. Such defects and misconfigurations of our solutions could cause our solutions or services to be vulnerable to security attacks, or cause them to fail to respond to threats. In addition, because the techniques used by computer hackers to access or sabotage networks change frequently and generally are not recognized until launched against a target, there is a risk that an advanced attack could emerge that our solutions and services are unable to detect. Moreover, as our solutions and services are adopted by an increasing number of enterprises and governments, it is possible that the individuals and organizations behind advanced malware attacks will focus on finding ways to defeat our solutions and services. If this happens, our networks, solutions, services and subscriptions could be targeted by attacks specifically designed to disrupt our business and undermine the perception that our solutions and services are capable of providing superior IT security, which, in turn, could have a serious impact on our reputation as a provider of security solutions. For example, in the fourth quarter of 2020, we experienced an attack from a highly sophisticated threat actor which gained access to our networks and systems via trojanized updates to SolarWinds' Orion IT monitoring and management software as further described below. Moreover, our solutions must interoperate with our customers' existing infrastructure, which often have different specifications, utilize multiple protocol standards, deploy products from multiple vendors, and contain multiple generations of products that have been added over time. As a result, unanticipated failures could occur if a customer deploys our solutions in an untested configuration. Similarly, if we inadvertently update our solutions with an erroneous configuration or untested detection content, invalid detections or downtime could occur. Any of these situations could result in negative publicity to us, damage to our reputation, declining sales, increased expenses and customer relations issues, and therefore adversely impact our business, financial position and results of operations.

If any of our customers becomes infected with malware after using our solutions or services, such customer could be disappointed with our solutions and services, regardless of whether our solutions or services blocked the theft of any of such customer's data or would have blocked such theft if configured properly. Similarly, if our solutions detect attacks against a customer but the customer has not permitted our solutions to block the theft of customer data, customers and the public may erroneously believe that our solutions were not effective. For any security breaches or incidents impacting customers that use our services, such as customers that have hired us to monitor their networks and endpoints through our own or our co-branded security operation centers, breaches impacting those customers may result in customers and the public believing that our solutions and services failed. Furthermore, if any enterprises or governments that are publicly known to use our solutions or services are the subject of an advanced cyber-attack that becomes

publicized, our other current or potential customers may look to our competitors for alternatives to our solutions and services. Real or perceived security breaches of or other security incidents impacting our customers' networks could cause disruption or damage to their networks or other negative consequences and could result in negative publicity to us, damage to our reputation, declining sales, increased expenses and customer relations issues.

In addition, we cannot assure you that any limitation of liability provisions in our customer agreements, contracts with third-party vendors and service providers or other contracts would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular claim relating to a security breach or other security-related matter. Furthermore, in the event that a customer suffers a security breach, we could be subject to claims based on a misunderstanding of the scope of our contractual warranties. While our insurance policies include liability coverage for certain of these matters, if we experienced a widespread security breach or other incident that impacted a significant number of our customers to whom we owe indemnity obligations, we could be subject to indemnity claims or other damages that exceed our insurance coverage. We also cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any future claim will not be excluded or otherwise be denied coverage by any insurer. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results and reputation.

Any real or perceived defects, errors or vulnerabilities in our solutions and services, or any other actual or perceived failure of our solutions and services to detect or respond to an advanced threat, could result in:

- a loss of existing or potential customers or channel partners;
- delayed or lost revenue and harm to our financial condition and results of operations;
- a delay in attaining, or the failure to attain, market acceptance;
- the expenditure of significant financial and solution development resources in efforts to analyze, correct, eliminate, or work around errors or defects, or to address and eliminate vulnerabilities;
- an increase in warranty and other claims, or an increase in the cost of servicing warranty and other claims, either of which would adversely affect our gross margins;
- harm to our reputation or brand; and
- claims and litigation, regulatory inquiries, demands, investigations, enforcement actions, or other proceedings, and other claims and liabilities, all of which may be costly and burdensome and further harm our reputation.

Our results of operations may vary significantly from period to period, which could cause the trading price of our common stock to decline or fluctuate materially.

Our results of operations have varied significantly from period to period, and we expect that our results of operations, including, but not limited to our GAAP and non-GAAP measures, will continue to vary as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including:

- our ability to attract new and retain existing customers or sell additional solutions to our existing customers;
- our ability to successfully execute our business plan and necessary transition activities following the sale of the FireEye Products business;
- changes in our mix of solutions, subscriptions and services sold, including changes in the average contract length for subscriptions and support;
- the timing and success of new platform, subscription or service introductions by us or our competitors;
- real or perceived reductions in the efficacy of our solutions by our customers or in the marketplace;

- budgeting cycles, seasonal buying patterns and purchasing practices of customers;
- the timing of new contracts for our solutions and length of our sales cycles;
- changes in customer, distributor or reseller requirements or market needs;
- changes in the growth rate of the IT security market, particularly the market for solutions that measure security effectiveness, or managed detection and response services;
- any change in the competitive landscape of the IT security market, including consolidation among our customers or competitors and strategic partnerships entered into by and between our competitors;
- deferral of orders from customers in anticipation of new products or product enhancements announced by us or our competitors;
- our ability to successfully and continuously expand our business domestically and internationally;
- reductions in customer retention rates for our subscriptions and support;
- decisions by organizations to purchase IT security solutions from larger, more established security vendors or from their primary IT equipment vendors or IT service providers;
- changes in our pricing policies or those of our competitors;
- any disruption in, or termination of, our relationships with channel partners;
- the timing and costs related to the development or acquisition of technologies or businesses or strategic partnerships;
- the lack of synergy or the inability to realize expected synergies, resulting from acquisitions or strategic partnerships;
- our inability to execute, complete or integrate efficiently any acquisition that we may undertake;
- increased expenses, unforeseen liabilities, or write-downs and any impact on our operating results from any acquisitions we consummate;
- insolvency or credit difficulties confronting our customers, affecting their ability to purchase or pay for our solutions, subscriptions and services;
- the cost and potential outcomes of future litigation, including, without limitation, the lawsuit described under the “Litigation” subheading in Note 12 Commitments and Contingencies contained in the “Notes to Condensed Consolidated Financial Statements” in Part II, Item 8 of this Annual Report on Form 10-K;
- the departure of key employees, including, without limitation, attrition due to vaccine mandates;
- seasonality or cyclical fluctuations in our business;
- political, economic and social instability;
- public health crises, such as the COVID-19 pandemic, and related measures to protect the public health;
- future accounting pronouncements or changes in our accounting policies or practices;
- the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our business, operations and infrastructure;
- our inability to successfully implement a new quote-to-cash system or a new enterprise resource planning system as planned;
- the amount and timing of costs related to any cost reduction initiatives and the impact of such initiatives; and
- increases or decreases in our revenues and expenses caused by fluctuations in foreign currency exchange rates.

Any of the above factors, individually or in the aggregate, may result in significant fluctuations in our financial and other operating results from period to period. As a result of this variability, our historical results

of operations should not be relied upon as an indication of future performance. Moreover, this variability and unpredictability could result in our failure to meet our operating plan or the expectations of investors or analysts for any period. If we fail to meet such expectations for these or other reasons, the market price of our common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

If we are unable to retain our customers, renew and expand our relationships with them, and add new customers, we may not be able to sustain revenue growth and we may not achieve or maintain profitability in the future.

Although we have experienced rapid growth in the past with respect to our Mandiant Solutions business, we may not continue to grow in the future. Any success that we may experience in the future will depend, in large part, on our ability to, among other things:

- maintain, renew and expand our existing customer base;
- win new customers for our solutions;
- increase revenues from existing customers through increased use of our solutions, subscriptions and services within their organizations;
- improve the capabilities of our solutions and subscriptions through research and development;
- continue to develop our cloud-based solutions;
- maintain the rate at which customers purchase our subscriptions and support;
- continue to successfully expand our business domestically and internationally; and
- successfully compete with other companies.

If we are unable to maintain consistent or increasing revenue growth or if our revenues decline, it may be difficult to achieve and maintain profitability and our business and financial results could be adversely affected. Our revenue for any prior quarterly or annual periods should not be relied upon as any indication of our future revenue or revenue growth.

We could suffer disruptions, outages, defects, and other performance and quality problems with our platform or with the public cloud and internet infrastructure on which it relies.

Our business depends on our Mandiant Advantage platform to be available without disruption. We have experienced, and may in the future experience, disruptions, outages, defects, and other performance and quality problems with our platform. We have also experienced, and may in the future experience, disruptions, outages, defects, and other performance and quality problems with the public cloud and internet infrastructure on which our platform relies. These problems can be caused by a variety of factors, including introductions of new functionality, vulnerabilities and defects in proprietary and open source software, human error or misconduct, natural disasters (such as tornadoes, earthquakes, or fires), capacity constraints, design limitations, or denial of service attacks or other security-related incidents.

Further, if our contractual and other business relationships with our public cloud providers are terminated, suspended, or suffer a material change to which we are unable to adapt, such as the elimination of services or features on which we depend, we could be unable to provide our platform and could experience significant delays and incur additional expense in transitioning customers to a different public cloud provider.

Any disruptions, outages, defects, and other performance and quality problems with our platform or with the public cloud and internet infrastructure on which it relies, or any material change in our contractual and other business relationships with our public cloud providers, could result in reduced use of our platform, increased expenses, including service credit obligations, and harm to our brand and reputation, any of which could have a material adverse effect on our business, financial condition and results of operations.

Recent, past and future acquisitions and investments could disrupt our business and harm our financial condition and operating results.

Our success will depend, in part, on our ability to expand our platform and grow our business in response to changing technologies, customer demands and competitive pressures. In some circumstances, we may decide

to do so through the acquisition of complementary businesses and technologies rather than through internal development, including, for example, our acquisitions of Verodin, Inc. (“Verodin”), Respond Software and Intrigue.

The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete acquisitions that we target in the future. The risks we face in connection with acquisitions, including our acquisitions of Verodin, Respond Software and Intrigue include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- our ability to successfully achieve billings and revenue targets of acquired businesses;
- coordination of research and development and sales and marketing functions;
- integration of solution and service offerings;
- retention of key employees from the acquired company;
- changes in relationships with strategic partners as a result of product acquisitions or strategic positioning resulting from the acquisition;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company’s accounting, management information, human resources and other administrative systems, as well as the acquired operations, technology and rights to our offerings, and any unanticipated expenses related to such integration;
- the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked sufficiently effective controls, procedures and policies;
- financial reporting, revenue recognition or other financial or control deficiencies of the acquired company that we don’t adequately address and that cause our reported results to be incorrect;
- liability for activities of the acquired company before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- completing the transaction and achieving or utilizing the anticipated benefits of the acquisition within the expected timeframe, or at all;
- unanticipated write-offs or charges; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or other third parties which may differ from or be more significant than the risks our business faces.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in dilutive issuances of equity securities. For example, in May 2019, we issued 8,404,609 shares of common stock in connection with our acquisition of Verodin and in November 2020, we issued 4,931,862 shares of common stock in connection with our acquisition of Respond Software.

There is also a risk that future acquisitions will result in the incurrence of debt, contingent liabilities, amortization expenses, incremental operating expenses or the write-off of goodwill, any of which could harm our financial condition or operating results.

Our growth depends on the development, expansion and success of our partner relationships.

As part of our vision for our business, we are building, and will need to grow and maintain, a partner ecosystem of providers of complementary cybersecurity offerings. Some of our existing and future partners may have offerings that compete with our offerings in certain markets. The relationships we have with our

partners, and that our partners have with our customers, provide our customers with enhanced value from our Mandiant Advantage platform. Our future growth will be increasingly dependent on the success of these relationships, and if we are unsuccessful in growing and maintaining these relationships or the types and quality of data supported by or available for consumption on our platform, our business, financial condition and results of operations could be adversely affected.

If we are unable to maintain successful relationships with our channel partners and technology alliance partners, or if our channel partners or technology alliance partners fail to perform, our ability to market, sell and distribute our platform will be limited, and our business, financial position and results of operations will be harmed.

In addition to our direct sales force, we rely on our indirect channel partners to sell and support our platform. We derive a substantial portion of our revenue from sales of our solutions, subscriptions and services through, or with the assistance of, our indirect channel, and we expect that sales through channel partners will continue to be a significant percentage of our revenue. We also partner with our technology alliance partners to design go-to-market strategies that combine our platform with solutions or services provided by our technology alliance partners.

Our agreements with our channel partners and our technology alliance partners are generally non-exclusive, meaning our partners may offer customers solutions from several different companies, including solutions that compete with ours. If our channel partners do not effectively market and sell our platform, choose to use greater efforts to market and sell their own solutions or those of our competitors, or fail to meet the needs of our customers, our ability to grow our business and sell our platform may be adversely affected. Our channel partners and technology alliance partners may cease marketing our platform with limited or no notice and with little or no penalty, and new channel partners require extensive training and may take several months or more to achieve productivity. The loss of a substantial number of our channel partners, our possible inability to replace them, or the failure to recruit additional channel partners could materially and adversely affect our results of operations. In addition, sales by channel partners are more likely than direct sales to involve collectability concerns, particularly in developing markets. Our channel partner structure could also subject us to lawsuits or reputational harm if, for example, a channel partner misrepresents the functionality of our platform to customers or violates applicable laws or our corporate policies.

Our ability to achieve revenue growth in the future will depend in part on our success in maintaining successful relationships with our channel partners, and in training our channel partners to independently sell and deploy our platform. If we are unable to maintain our relationships with these channel partners or otherwise develop and expand our indirect sales channel, or if our channel partners fail to perform, our business, financial position and results of operations could be adversely affected.

If we fail to effectively manage our growth, our business, financial condition and results of operations would be harmed.

Although our Mandiant Solutions business has experienced significant growth in the past, we cannot provide any assurance that it will continue to grow at the same rate or at all. There is no assurance that we will be able to successfully implement or scale improvements to our systems, processes and controls in a manner that keeps pace with our growth or that such systems, processes and controls will be effective in preventing or detecting errors, omissions or fraud.

As part of our efforts to improve our internal systems, processes and controls, we have licensed technology from third parties. The support services available for such third-party technology are outside of our control and may be negatively affected by consolidation in the software industry. In addition, if we do not receive adequate support for the software underlying our systems, processes and controls, our ability to provide solutions and services to our customers in a timely manner may be impaired, which may cause us to lose customers, limit us to smaller deployments of our platform or increase our technical support costs.

Many of our expenses are relatively fixed, at least in the short term. If our projections or assumptions on which we base our projections are incorrect, we may not be able to adjust our expenses rapidly enough to avoid an adverse impact on our profitability or cash flows.

To manage this growth effectively, we must continue to improve our operational, financial and management systems and controls by, among other things:

- effectively hiring, training and integrating new employees, particularly members of our sales, services and management teams;
- further improving our key business applications, processes and IT infrastructure, including our data centers, a new quote-to-cash system and a new enterprise resource planning system, to support our business needs;
- continuing to refine our ability to forecast our bookings, billings, revenues, expenses and cash flows;
- enhancing our information and communication systems to ensure that our employees and offices around the world are well coordinated and can effectively communicate with each other and our growing base of channel partners and customers;
- improving our internal control over financial reporting and disclosure controls and procedures to ensure timely and accurate reporting of our operational and financial results; and
- appropriately documenting and testing our IT systems and business processes.

These and other improvements in our systems and controls will require significant capital expenditures and the allocation of valuable management and employee resources. If we fail to implement these improvements effectively, our ability to manage our expected growth, ensure uninterrupted operation of key business systems and comply with the rules and regulations applicable to public reporting companies would be impaired, and our business, financial condition and results of operations would be harmed.

If the general level of advanced cyber-attacks declines, or is perceived by our current or potential customers to have declined, our business could be harmed.

Our business is substantially dependent on enterprises and governments recognizing that advanced cyber-attacks are pervasive and are not effectively prevented by legacy security solutions. High visibility attacks on prominent enterprises and governments have increased market awareness of the problem of advanced cyber-attacks and help to provide an impetus for enterprises and governments to devote resources to protecting against advanced cyber-attacks, such as testing our Mandiant Advantage platform, purchasing it, and broadly deploying it within their organizations. If advanced cyber-attacks were to decline, or enterprises or governments perceived that the general level of advanced cyber-attacks have declined, our ability to attract new customers and expand our offerings within existing customers could be materially and adversely affected. A change in the threat landscape may reduce the demand from customers or prospects for our solutions, and therefore could increase our sales cycles and harm our business, results of operations and financial condition.

If organizations do not adopt cloud-based SaaS-delivered security solutions, our ability to grow our business and results of operations may be adversely affected.

We believe our future success will depend in large part on the growth, if any, in the market for cloud-based SaaS-delivered security solutions. The use of SaaS solutions to manage and automate security and IT operations is at an early stage and rapidly evolving. As such, it is difficult to predict its potential growth, if any, customer adoption and retention rates, customer demand for our solutions, or the success of existing competitive solutions. Any expansion in our market depends on a number of factors, including the cost, performance, and perceived value associated with our solutions and those of our competitors. If our solutions do not achieve widespread adoption or there is a reduction in demand for our solutions due to a lack of customer acceptance, technological challenges, competing solutions, concerns relating to privacy, data protection, or cybersecurity, decreases in corporate spending, weakening economic conditions or otherwise, it could result in early terminations, reduced customer retention rates, or decreased revenue, any of which would adversely affect our business, results of operations, and financial results. We do not know whether the trend in adoption of cloud-based SaaS-delivered security solutions we have experienced in the past will continue in the future. Furthermore, if we or other SaaS security providers experience security incidents, loss or disclosure of customer data, disruptions in delivery, or other problems, the market for SaaS solutions as a whole, including our security solutions, may be negatively affected. You should consider our business and prospects in light of the risks and difficulties we encounter in this new and evolving market.

If we are not able to maintain and enhance our Mandiant brand and our reputation as a provider of high-quality security solutions and services, our business and results of operations may be adversely affected.

We believe that maintaining and enhancing our Mandiant brand and our reputation as a provider of high-quality security solutions and services is critical to our relationship with our existing customers, channel partners, and technology alliance partners and our ability to attract new customers and partners. The successful promotion of our Mandiant brand will depend on a number of factors, including our marketing efforts, and ultimately our ability to continue to develop additional high-quality security solutions and our ability to continue to provide services valued by customers. Although we believe it is important for our growth, our brand promotion activities may not be successful or yield increased revenue.

In addition, in October 2021, we rebranded and changed our name from FireEye, Inc. to Mandiant, Inc. Customers, suppliers and partners may be confused by the name change leading to disruptions in our business, and investors may not understand or appreciate our rebranding efforts, which could materially and adversely impact our business, results of operations, financial condition and trading price of our common stock.

We rely on our management team and other key employees and will need additional personnel to grow our business, and the loss of one or more key employees or our inability to hire, integrate, train and retain qualified personnel, including members for our board of directors, could harm our business.

Our future success is substantially dependent on our ability to hire, integrate, train, retain and motivate the members of our management team and other key employees throughout our organization, including key employees obtained through our acquisitions. Competition for highly skilled personnel is intense, especially in the San Francisco Bay Area and the Washington D.C. Area, where we have a substantial presence and need for highly skilled personnel. We may not be successful in hiring or retaining qualified personnel to fulfill our current or future needs, and potential changes in U.S. immigration and work authorization laws and regulations, including those that restrain the flow of technical and professional talent, may make it difficult to renew or obtain visas for highly skilled personnel that we have hired or are actively recruiting. Following the divestiture of the FireEye Products business, we remain highly dependent on the services of Kevin Mandia, our Chief Executive Officer, who is critical to our thought leadership, market presence, reputation, future vision and strategic direction. We are also substantially dependent on the continued service of our existing engineering personnel because of the complexity of our solutions. Engineering personnel and other employees in the technology industry, including the cyber security industry, are increasingly able to work remotely, which in turn increases employee mobility and our risk of unwanted employee attrition. Our competitors and other companies in the technology industry may be successful in recruiting and hiring members of our management team or other key employees, including key employees obtained through our acquisitions, and it may be difficult for us to find suitable replacements on a timely basis, on competitive terms, or at all. Also, to the extent we hire employees from mature public companies with significant financial resources, we may be subject to allegations that such employees have been improperly solicited, or that they have divulged proprietary or other confidential information or that their former employers own such employees' inventions or other work product.

The workforce reductions made in connection with our restructuring plans may adversely affect our ability to attract and retain highly skilled employees. Even if our key personnel are not directly affected by these reductions, the termination of others may have a negative impact on morale and our ability to retain current personnel, as well as our ability to attract qualified new personnel in the future. Furthermore, our vaccination and return-to-office policies related to COVID-19 may also impact the recruitment and retention of key employees.

We made a number of organizational changes over the past year and, from time to time, key personnel leave our company. For example, we recently announced that Frank Verdecanna, our Executive Vice President and Chief Financial Officer, plans to retire in 2022 and that Alexa King stepped down as our Executive Vice President, Corporate and Legal Affairs, General Counsel, and Secretary due to her desire to pursue other opportunities and interests. In addition, in connection with the sale of the FireEye Products business, we experienced employee attrition, including the departure of certain members of senior management. These and other leadership transitions and management changes can be inherently difficult to manage, may cause uncertainty or a disruption to our business, and may increase the likelihood of turnover in other key officers and employees. Our success depends in part on having a successful leadership team. If we cannot effectively

manage these and other leadership transitions and management changes, it could make it more difficult to successfully operate our business and pursue our business goals.

In addition, we believe that it is important to establish and maintain a corporate culture that facilitates the maintenance and transfer of institutional knowledge within our organization and also fosters innovation, teamwork, a passion for customers and a focus on execution. Any of our organizational changes may result in a loss of institutional knowledge and cause disruptions to our business. Furthermore, if we are not successful in identifying and recruiting new key employees and integrating them into our organization, and creating effective working relationships among them and our other key employees, such failure could delay or hinder our development of net and enhanced offerings and the achievement of our strategic objectives, which could adversely affect our business, financial condition and results of operations.

Our employees, including our executive officers, work for us on an “at-will” basis, which means they may terminate their employment with us at any time. We do not maintain key person life insurance policies on any of our key employees. If Mr. Mandia or one or more of our other key employees resigns or otherwise ceases to provide us with their service, our business could be harmed.

Any litigation against us could be costly and time-consuming to defend.

From time to time, we are and may become subject to legal proceedings and claims, such as claims brought by our customers in connection with commercial disputes, employment claims made by our current or former employees, intellectual property claims, or securities class actions or other claims related to our sale of the FireEye Products business or any volatility in the trading price of our common stock. For example, on July 13, 2021, an alleged stockholder filed an action against the Company, seeking inspection of certain of books and records pursuant to Section 220 of the Delaware General Corporation Law. On July 26, 2021, the parties filed a stipulation that the Company is not obligated to respond to the complaint at this time. The lawsuit was voluntarily dismissed on November 3, 2021. Also on November 3, 2021, the same alleged stockholder filed another action against the Company and its board of directors, alleging a violation of Delaware General Corporation Law Sec. 271 and breaches of fiduciary duty in connection with our sale of the FireEye Products business. The defendants filed a motion to dismiss on January 14, 2022.

Litigation might result in substantial costs and may divert management’s attention and resources, which might seriously harm our business, financial condition, and results of operations. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us (including premium increases or the imposition of large deductible or co-insurance requirements). A claim brought against us that is uninsured or underinsured could result in unanticipated costs, potentially harming our business, financial position, and results of operations. In addition, we cannot be sure that our existing insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim.

If we do not accurately anticipate and respond promptly to changes in our customers’ security needs or scale our business in a cost-effective manner, our competitive position, prospects and financial condition could be harmed.

The IT security market has grown quickly and is expected to continue to evolve rapidly. We have identified a number of new solutions and enhancements to our Mandiant Advantage platform that we believe are important to our continued success in the IT security market. There can be no assurance that we will be successful in developing and marketing, on a timely basis, such new solutions or enhancements or that our new solutions or enhancements will adequately address the changing needs of the marketplace. Although the market expects rapid introduction of new solutions and enhancements to respond to customer needs, the development of these solutions and enhancements is difficult and the timetable for commercial release and availability is uncertain, as there can be significant time lags between initial beta releases and the commercial availability of new solutions and enhancements. We may experience unanticipated delays in the availability of new solutions and enhancements to our platform and fail to meet customer expectations with respect to the timing of such availability. If we do not quickly respond to the rapidly changing and rigorous needs of our customers by developing, releasing and making available on a timely basis new solutions and enhancements to our platform that can adequately respond to our customers’ needs, our competitive position and business prospects will be harmed. Furthermore, from time to time, we or our competitors may announce new solutions

with capabilities or technologies that could have the potential to replace or shorten the life cycles of our existing solutions. There can be no assurance that announcements of new solutions will not cause customers to defer purchasing our existing solutions.

Additionally, the process of developing new technology is expensive, complex and uncertain. The success of new solutions and enhancements depends on several factors, including appropriate component costs, timely completion and introduction, differentiation of new solutions and enhancements from those of our competitors and market acceptance. To maintain our competitive position, we must continue to commit significant resources to developing new solutions or enhancements to our Mandiant Advantage platform before knowing whether these investments will be cost-effective or achieve the intended results. There can be no assurance that we will successfully identify new market opportunities, develop and bring new solutions or enhancements to market in a timely manner, or achieve market acceptance of our solutions or that solutions and technologies developed by others will not render our Mandiant Advantage platform obsolete or noncompetitive. If we expend significant resources on researching and developing solutions or enhancements to our platform and such solutions or enhancements are not successful, our business, financial position and results of operations may be adversely affected.

In addition, we provide our cloud-based solutions and services through third-party data center hosting facilities located in the United States and other countries. While we control and have access to our servers and all of the components of our network that are located in our data centers, we do not control the operation of these hosting facilities. We rely on the owners or operators of these hosting facilities in maintaining the availability of their services, maintenance of their infrastructure, and in providing appropriate backup, disaster recovery and security measures. The owners of the data center hosting facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our data center operators is acquired, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so.

Furthermore, we have and will continue to make substantial investments to support growth of our Mandiant Advantage platform. If our cloud-based server costs were to increase, our business, results of operations and financial condition may be adversely affected. In addition, ongoing improvements to cloud infrastructure may be more expensive than we anticipate, and may not yield the expected savings in operating costs or the expected performance benefits. In addition, we may be required to re-invest any cost savings achieved from prior cloud infrastructure improvements in future infrastructure projects to maintain the levels of service required by our customers. We may not be able to maintain or achieve cost savings from our investments, which could harm our financial results.

Our current research and development efforts may not produce successful solutions or enhancements to our platform that result in significant revenue, cost savings or other benefits in the near future, if at all.

We must continue to dedicate significant financial and other resources to our research and development efforts if we are to maintain our competitive position. However, developing solutions and enhancements to our platform is expensive and time consuming, and there is no assurance that such activities will result in significant new marketable solutions or enhancements to our platform, design improvements, cost savings, revenue or other expected benefits. If we spend significant resources on research and development and are unable to generate an adequate return on our investment, our business and results of operations may be materially and adversely affected.

Seasonality may cause fluctuations in our billings.

We believe there are significant seasonal factors that may cause us to record higher billings in some quarters compared with others. We believe this variability is largely due to (i) our customers' budgetary and spending patterns, as many customers spend the unused portions of their discretionary budgets prior to the end of their fiscal years, and (ii) our sales compensation plans, which are typically structured around annual quotas and stair step commission rates. For example, we have historically recorded our highest level of billings in our fourth quarter, which we believe corresponds to the fourth quarter of a majority of our customers. Similarly, we have historically recorded our second-highest level of billings in our third quarter, which corresponds to the fourth quarter of U.S. federal agencies and other customers in the U.S. federal government.

Our growth rate over the last couple years may have made seasonal fluctuations more difficult to detect. If our rate of growth slows over time, seasonal or cyclical variations in our operations may become more pronounced, and our business, results of operations and financial position may be adversely affected.

Our operating history and changes to our business model makes it difficult to evaluate our current business and prospects and may increase the risk that we will not be successful.

We were founded in 2004, and we shipped our first commercially successful solution for on-premises network security in 2008. Since then, we have continued to expand our offerings, both organically and through acquisitions, to address changes in the threat environment, evolving customer requirements, and the continued migration of workloads to cloud platforms. On October 8, 2021, we completed the sale of the FireEye Products business. Our future results of operations are now dependent solely on the operations of the Mandiant Solutions business. Acquired solutions within our continuing business include Mandiant Corporation's advanced threat intelligence capabilities and incident response and security consulting services; iSIGHT Security's standalone threat intelligence subscriptions; Verodin's security instrumentation offering; Respond Software's cybersecurity investigation automation technology; and Intrigue's attack surface management offering. The markets for many of our acquired solutions are in the early stages of development and customer adoption remains limited. Additionally, most of our acquired solutions are sold as subscriptions, often to large enterprises or governments, and contract terms may vary significantly. We have encountered and will continue to encounter risks and uncertainties frequently encountered by emerging technology-based companies in developing markets.

If our assumptions regarding these risks and uncertainties are incorrect or change in response to changes in the IT security market, our results of operations and financial results could differ materially from our plans and forecasts. Although we have experienced rapid growth in the past, there is no assurance that such growth will continue. Any success we may experience in the future will depend in large part on our ability to, among other things:

- successfully execute our business plan and necessary transition activities following the sale of the FireEye Products business;
- maintain and expand our customer base and the ways in which customers use our solutions and services;
- expand revenue from existing customers through increased or broader use of our solutions, subscriptions and services within their organizations;
- grow our revenues from software, subscriptions and recent offerings from acquisitions such as Verodin and Respond Software;
- convince customers to allocate a fixed portion of their annual IT budgets to our solutions and services;
- improve the performance and capabilities of our platform through research and development;
- effectively expand our business domestically and internationally; and
- successfully compete with other companies that currently provide, or may in the future provide, solutions like ours that protect against advanced cyber-attacks, measure security effectiveness, or investigate and respond to attacks.

If we are unable to achieve our key objectives, including the objectives listed above, our business and results of operations will be adversely affected and the fair market value of our common stock could decline.

We are exposed to the credit risk of some of our distributors, resellers and customers and to credit exposure in weakened markets, which could result in material losses.

Most of our sales are on an open credit basis. Although we have programs in place that are designed to monitor and mitigate these risks, we cannot assure you these programs will be effective in reducing our credit risks, especially as we expand our business internationally. In addition, the COVID-19 pandemic may negatively affect the ability of our customers, especially in certain industries such as travel, entertainment,

food and hospitality, to pay us on a timely basis or at all. If we are unable to adequately control these risks, our business, results of operations and financial condition could be harmed.

Failure to comply with governmental laws and regulations could harm our business.

Our business is subject to regulation by various U.S. federal, state, local and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, consumer protection laws, privacy, data-protection and cybersecurity laws, anti-bribery laws (including the U.S. Foreign Corrupt Practices Act and the U.K. Anti-Bribery Act), import/export controls, federal securities laws and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, injunctions or other collateral consequences. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees. U.S. regulations surrounding our operating activities in foreign jurisdictions are not always consistent with, and at times are in contravention to, the local regulations or laws in such jurisdictions. Enforcement actions and sanctions could harm our business, reputation, results of operations and financial condition.

If we do not achieve increased tax benefits as a result of our corporate structure, our operating results and financial condition may be negatively impacted.

We generally conduct our international operations through wholly-owned subsidiaries and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. In 2019, we reorganized our corporate structure and intercompany relationships to better align our corporate organization with the expansion of our international business activities. Although we anticipate achieving a reduction in our overall effective tax rate in the future as a result of this reorganized corporate structure, we may not realize any benefits. Our intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. The relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position were not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. In addition, if the intended tax treatment of our reorganized corporate structure is not accepted by the applicable taxing authorities, changes in tax law negatively impact the structure or we do not operate our business consistent with the structure and applicable tax laws and regulations, we may fail to achieve any tax advantages as a result of the reorganized corporate structure, and our future operating results and financial condition may be negatively impacted. In addition, we continue to evaluate our corporate structure in light of current and pending tax legislation, and any changes to our corporate structure may require us to incur additional expenses and may impact our overall effective tax rate.

We could be subject to additional tax liabilities.

We are subject to U.S. federal, state and local income taxes and sales taxes in the United States and foreign income taxes, withholding taxes and transaction taxes in numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and our worldwide provision for taxes. During the ordinary course of business, there are many activities and transactions for which the ultimate tax determination is uncertain. In addition, our tax obligations and effective tax rates could be adversely affected by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations, including those relating to income tax nexus, corporate income tax rates and the proposed global minimum tax, by recognizing tax losses or lower than anticipated earnings in jurisdictions where we have lower statutory rates and higher than anticipated earnings in jurisdictions where we have higher statutory rates, by changes in foreign currency exchange rates, or by changes in the valuation of our deferred tax assets and liabilities. We may be audited in various jurisdictions, and such jurisdictions may assess additional taxes, sales taxes and value-added taxes against us. Although we believe our tax estimates are reasonable, the final determination of any tax audits or litigation could be materially different from our historical tax provisions and accruals, which

could have a material adverse effect on our operating results or cash flows in the period for which a determination is made.

Our failure to raise additional capital or generate the significant capital necessary to expand our operations and invest in new solutions could reduce our ability to compete and could harm our business.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new solutions and enhancements to our platform, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests and the per share value of our common stock could decline. Furthermore, if we engage in additional debt financing, the holders of debt would have priority over the holders of common stock, and we may be required to accept terms that restrict our ability to incur additional indebtedness. We may also be required to take other actions that would otherwise be in the interests of the debt holders and force us to maintain specified liquidity or other ratios, any of which could harm our business, results of operations, and financial condition. If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- develop or enhance our solutions and subscriptions;
- continue to expand our sales and marketing and research and development organizations;
- acquire complementary technologies, solutions or businesses;
- expand operations, in the United States or internationally;
- hire, train and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

Our failure to do any of these things could harm our business, financial condition and results of operations.

Risks Related to Systems and the Transition to New Quote-to-Cash and Enterprise Resource Planning Systems

Our ability to manage our business and monitor results is highly dependent upon IT systems. A failure of these systems or our planned QTC and ERP implementations could have a material adverse effect on our business.

We are highly dependent upon a variety of IT systems to operate our business. In order to continue to support our growth and scale as a SaaS company, we are making significant technological upgrades to our information systems. We are in the process of implementing a new quote-to-cash (“QTC”) system and a new enterprise resource planning (“ERP”) system which we expect to complete in 2022, and are updating processes to perform various functions and improve on the efficiency of our global business. This is a complicated, lengthy and expensive process that will result in a diversion of resources from other operations. Continued execution of the project plan, or a divergence from it, may result in cost overruns, project delays or business interruptions. In addition, divergence from our project plan could negatively impact the timing and/or extent of benefits we expect to achieve from the system and process efficiencies. Failure to properly or adequately address any unaccounted for or unforeseen issues in successfully replacing our legacy systems could negatively impact the company’s ability to perform necessary business operations, manage our administrative costs, or perform under the TSA, any of which could adversely affect our reputation, competitive position, business, results of operations and financial condition.

Any disruptions, delays or deficiencies in the design and/or implementation of the new QTC and ERP systems, or in the performance or migration of our legacy systems, particularly any disruptions, delays or deficiencies that impact our operations, could adversely affect our ability to effectively run and manage our business. The implementation of our planned new QTC and ERP systems subjects us to inherent risks associated with migrating from our legacy systems, including, without limitation, our ability to process orders, provide services and customer support, send invoices and track payments, fulfill contractual obligations, fulfill federal, state and local reporting and filing requirements in a timely or accurate manner, or otherwise operate

our business. In addition, if any issues with respect to the new systems result in, or contribute to, a delay in our timely reporting of our results of operations for any period or our not filing one or more periodic reports with the SEC on time, the price of our common stock could decline substantially, and we could face costly lawsuits, including securities class actions. Further, as we are dependent upon our ability to gather and promptly transmit accurate information to key decision makers, our business, results of operations and financial condition may be adversely affected if our information systems do not allow us to transmit accurate information, even for a short period of time. Failure to properly or adequately address these issues could negatively impact our ability to perform necessary business operations, which could adversely affect our reputation, competitive position, business, results of operations and financial condition.

In addition, the information systems of companies we acquire may not be sufficient to meet our standards or we may not be able to successfully convert them to provide acceptable information on a timely and cost-effective basis. Furthermore, we must attract and retain qualified people to operate our systems, expand and improve them, integrate new programs effectively with our existing programs, and convert to new systems efficiently when required. Any disruption to our business due to such issues, or an increase in our costs to cover these issues that is greater than what we have anticipated, could have an adverse effect on our financial results and operations.

The implementation of our planned new ERP and change in related processes could negatively impact the effectiveness of our internal control over financial reporting.

Our ERP system is critical to our ability to accurately maintain books and records, record transactions, provide important information to our management and prepare our consolidated financial statements. The implementation of our planned new ERP system in 2022 will also require the transformation of business and financial processes, and any such changes involves risks, including potential transaction errors, processing inefficiencies and loss of data. If the transition to our planned new ERP system is not successful, and the new system and new processes do not operate as intended, the effectiveness of our internal control over financial reporting could be adversely affected and our ability to assess it adequately could be further impacted. If difficulties in implementing the new ERP system or related processes result in a material weakness in our internal control over financial reporting, a failure to remediate the material weakness could also negatively impact our ability to prepare our future financial statements in conformity with GAAP. If we experience ongoing disruptions with such implementation and/or are unable to remediate any such material weakness, such events could have a material adverse effect on our reputation, competitive position, business, results of operations and financial condition.

Any additional costs, cost overruns and delays with implementation of our new QTC and ERP systems may adversely affect our business and results of operations.

The implementation of our planned new QTC and ERP systems has and will continue to involve substantial expenditures, as well as design, development and implementation activities. Until the new systems are fully implemented, we expect to incur additional selling, general and administrative expenses and capital expenditures to implement and test the systems, and there can be no assurance that issues relating to the systems will not occur or be identified. Our business and results of operations may be adversely affected if we experience operating problems, additional costs, or cost overruns during the QTC and ERP implementation process, or if any of the systems or the related processes changes significantly.

Risks Related to Privacy and Data Protection

We have experienced network or data security incidents in the past, and we may experience additional network or data security incidents in the future, which, whether actual, alleged or perceived, may harm our reputation, create liability and adversely impact our financial results.

Increasingly, companies are subject to a wide variety of attacks on their networks on an ongoing basis. In addition to traditional computer “hackers,” malicious code (such as viruses and worms), phishing attempts, ransomware, employee theft or misuse, accidental disclosure, and denial of service attacks, sophisticated nation-state and nation-state supported actors engage in intrusions and attacks (including advanced persistent threat intrusions) and add to the risks to our internal networks, cloud deployed enterprise and customer

facing environments and the information they store and process. We also utilize third-party service providers to host, transmit, or otherwise process electronic data in connection with our business activities. We and/or our third-party service providers have faced and may continue to face security threats and attacks from a variety of sources. Our data, corporate systems, third-party systems and security measures have been and may continue to be subject to breaches or intrusions due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise, including social engineering and employee and contractor error or malfeasance, and, as a result, an unauthorized party may obtain access to our systems, networks, or data. There have been and may continue to be significant software supply chain attacks, and we cannot guarantee that our or our third-party service providers' systems and networks have not been breached or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our services. Techniques used to sabotage or obtain unauthorized access to systems and networks are constantly evolving and, in some instances, are not identified until or after they are launched against a target, and we may face difficulties or delays in identifying or otherwise responding to any attacks or actual or potential breaches of security. Furthermore, as a well-known provider of security solutions, we may be a more attractive target for such attacks. A breach in our data security or an attack against our service availability, or that of our third-party service providers, could impact our solutions and subscriptions, creating system disruptions or slowdowns and exploiting security vulnerabilities of our solutions, and the information stored on our networks or those of our third-party service providers could be accessed, publicly disclosed, altered, rendered unavailable, lost, or stolen, which could result in a loss of intellectual property or loss of data or its confidentiality, integrity, or availability and subject us to liability and cause us financial harm.

In the fourth quarter of 2020, we experienced an attack from a highly sophisticated threat actor, one whose discipline, operational security, and techniques lead us to believe it was a state-sponsored attack. Like numerous other public and private organizations affected by this attack, the threat actor gained access to our networks and systems via trojanized updates to SolarWinds' Orion IT monitoring and management software. We conducted a comprehensive investigation in coordination with the Federal Bureau of Investigation and other key partners, including Microsoft. Our investigation identified that the attacker targeted and accessed certain Red Team assessment tools that we use to test our customers' security. These tools mimic the behavior of many cyber-threat actors and enable us to provide essential diagnostic security services to our customers and, if used or publicly disclosed by the threat actor, could be used to conduct additional attacks on us or other organizations. Our investigation also identified that, consistent with a nation-state cyber-espionage effort, the attacker was able to access certain of our internal systems and primarily sought information related to certain government customers. We notified affected customers and government agencies, as we deemed was required or appropriate. We have incurred costs to respond to this attack and may continue to incur costs to remediate and support our efforts to enhance our security measures.

There can be no assurance that we will be successful in preventing security breaches or other security incidents nor that we will be successful in mitigating their effects, despite the implementation of security measures for systems, networks, or data within our control. Similarly, there can be no assurance that our third-party service providers, distributors and other contractors will be successful in protecting our data on their systems or in protecting other systems upon which we may rely. Any actual, alleged or perceived breach of network security in our systems or networks, or any other actual, alleged or perceived data security incident we or our third-party service providers suffer, could result in damage to our reputation, negative publicity, loss of channel partners, customers and sales, loss of competitive advantages over our competitors, increased costs to remedy any problems and otherwise respond to any incident, regulatory investigations and enforcement actions, costly litigation, and other liability. In addition, we may incur significant costs and operational consequences of investigating, remediating, eliminating and putting in place additional tools and devices designed to prevent actual or perceived security breaches and other security incidents, as well as the costs to comply with any notification or other legal obligations resulting from any security incidents. Any of these negative outcomes could result in substantial costs and diversion of resources, distract management and technical personnel, adversely impact the market perception of our solutions and subscriptions and end-customer and investor confidence in our company and could seriously harm our business or operating results.

Although we maintain cyber liability insurance coverage that may cover certain liabilities in connection with security breaches and other security incidents, we cannot be certain our insurance coverage will be adequate for liabilities actually incurred, that insurance will continue to be available to us on commercially

reasonable terms (if at all) or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, or denials of coverage, could have a material adverse effect on our business, including our financial condition, results of operations and reputation.

If we fail to adequately protect personal information or other information we process or maintain, our business, financial condition and operating results could be adversely affected.

A wide variety of provincial, state, national, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data and other information. Evolving and changing definitions of personal data and personal information within the European Union (“EU”), the United States, and elsewhere, especially relating to classification of Internet Protocol addresses, machine identification, location data and other information, may limit or inhibit our ability to operate or expand our business, including limiting technology alliance partners that may involve the sharing of data. Data protection and privacy-related laws and regulations are evolving and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions.

For example, the EU General Data Protection Regulation (“GDPR”), which became fully effective on May 25, 2018, imposes more stringent data protection requirements than previously effective EU data protection law and provides for penalties for noncompliance of up to the greater of €20 million or four percent of worldwide annual revenues. The GDPR requires, among other things, that personal data only be transferred outside of the EU to certain jurisdictions, including the United States, if steps are taken to legitimize those data transfers. We historically relied on the EU-U.S. and Swiss-U.S. Privacy Shield programs, and the use of standard contractual clauses approved by the European Commission (the “SCCs”), to legitimize these transfers. Both the EU-U.S. Privacy Shield and the SCCs have been subject to legal challenge, however, and on July 16, 2020, the Court of Justice of the European Union (“CJEU”) invalidated the EU-U.S. Privacy Shield framework that had been in place since 2016, which allowed companies like us to meet certain European legal requirements for the transfer of personal data from the European Economic Area (“EEA”) to the U.S., and imposed additional obligations on companies when relying on the SCCs. On September 8, 2020, the Swiss Federal Data Protection and Information Commissioner invalidated the Swiss-U.S. Privacy Shield on similar grounds. This CJEU decision and related developments may result in different EEA data protection regulators applying differing standards for the transfer of personal data from the EEA to the United States, and may even require ad hoc verification of measures taken with respect to data flows. The CJEU decision requires us to take additional steps to legitimize any impacted personal data transfers, including in connection with the use of the SCCs, with the full impact of such decision uncertain at this time. The European Commission published new SCCs in June 2021, which are required to be implemented over time. The CJEU decision and related developments could result in increased costs of compliance and limitations on our customers and us. More generally, as a result of the CJEU decision or related developments, we may find it necessary or desirable to modify our data handling practices and policies and to implement additional contractual and technical safeguards, and our practices relating to cross-border transfers of data or other data handling practices, or those of our customers and vendors, may be challenged. We also may be required to engage in additional contractual negotiations. As a result of these factors, our business, financial condition and operating results may be adversely impacted. Some countries also are considering or have enacted legislation requiring local storage and processing of data that could increase the cost and complexity of delivering our services.

In addition to the GDPR, the European Commission has another draft regulation in the approval process that focuses on a person’s right to conduct a private life. The proposed legislation, known as the Regulation of Privacy and Electronic Communications (“ePrivacy Regulation”), would replace the current ePrivacy Directive. Originally planned to be adopted and implemented at the same time as the GDPR, the ePrivacy Regulation is still being negotiated. On February 10, 2021, the Council of the EU agreed on its version of the draft ePrivacy Regulation. If adopted, the earliest date for entry into force is in 2023, with broad potential impacts on the use of internet-based services and tracking technologies, such as cookies. Aspects of the ePrivacy Regulation remain for negotiation between the European Commission and the Council. We expect to incur additional costs to comply with the requirements of the ePrivacy Regulation as it is finalized for implementation.

Further, the United Kingdom (“U.K.”) exited the EU, commonly referred to as “Brexit,” on January 31, 2020, subject to a transition period ending December 31, 2020. Brexit could lead to further legislative and regulatory changes. The U.K. has implemented legislation that substantially implements the GDPR, with penalties for noncompliance of up to the greater of £17.5 million or four percent of worldwide revenues. Aspects of U.K. data protection laws and regulations, however, including with respect to the role of the U.K. Information Commissioner’s Office and regulation of data transfers to and from the U.K. in the medium to longer term, remain unclear. On June 28, 2021, the European Commission announced a decision of “adequacy” concluding that the U.K. ensures an equivalent level of data protection to the GDPR, which provides some relief regarding the legality of continued personal data flows from the EEA to the U.K. Some uncertainty remains, however, as this adequacy determination must be renewed after four years and may be modified or revoked in the interim. We cannot fully predict how U.K. data protection laws or regulations may develop in the medium to longer term nor the effects of divergent laws and guidance regarding how data transfers to and from the U.K. will be regulated. We may find it necessary or appropriate to make additional changes to the way we process data and otherwise conduct our business within, and transmit data to and from, the U.K. Some countries also are considering or have enacted legislation requiring local storage and processing of data, or similar requirements, which could increase the cost and complexity of delivering our services or require us to change our policies and practices.

California enacted legislation in 2018, the California Consumer Privacy Act (“CCPA”), that became operative on January 1, 2020. The CCPA requires covered companies to, among other things, provide new disclosures to California consumers, and affords such consumers new abilities to opt-out of certain sales of personal information. Aspects of the CCPA and its interpretation remain unclear. Additionally, a new privacy law, the California Privacy Rights Act (“CPRA”), was approved by California voters in the November 3, 2020 election. The CPRA creates obligations relating to consumer data beginning on January 1, 2022, with implementing regulations expected on or before July 1, 2022, and enforcement beginning July 1, 2023. The CPRA significantly modifies the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses. More generally, some observers have noted the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the U.S., as observed with the Virginia Consumer Data Protection Act, enacted March 2021 and which becomes effective January 1, 2023, and the Colorado Privacy Act, enacted in June 2021 and which takes effect on July 1, 2023. We cannot fully predict the impact of the CCPA on our business or operations, but it may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply.

Even the perception of privacy, data protection or cybersecurity concerns, whether or not valid, may harm our reputation, inhibit adoption of our solutions by current and future customers, or adversely impact our ability to hire and retain workforce talent. If our security measures are or are believed to be inadequate or breached as a result of third-party action, employee negligence, error or malfeasance, social engineering techniques or otherwise, and this results in, or is believed to result in, the disruption of the confidentiality, integrity or availability of our systems or networks or any data we process or maintain, or the loss, destruction or corruption of such data, or our privacy, data protection or cybersecurity practices are or are perceived to be inadequate, we could incur significant liability, we could face a loss of revenues, and our business may suffer and our reputation and competitive position may be damaged. Additionally, our service providers may suffer, or be perceived to suffer, privacy or data security breaches or other incidents that may compromise, or be perceived to compromise, data stored or processed for us that may give rise to any of the foregoing.

We also expect that there will continue to be changes in interpretations of existing laws and regulations, or new proposed laws and regulations concerning privacy, data protection and cybersecurity. We cannot yet determine the impact these laws and regulations or changed interpretations may have on our business, but we anticipate that they could impair our or our customers’ ability to collect, use or disclose information relating to individuals, which could decrease demand for our platform or solutions, increase our costs and impair our ability to maintain and grow our customer base and increase our revenue. Moreover, because the interpretation and application of many laws and regulations relating to privacy, data protection and cybersecurity, along with certain industry standards, are uncertain, it is possible that these laws, regulations and standards, or contractual obligations to which we are or may become subject, or to which we may be alleged to be subject, may be interpreted and applied in a manner that is inconsistent with our existing or future data management practices or features of our platform and solutions. Our actual or perceived failure to adequately comply with any such applicable laws, regulations, standards, and other actual or asserted obligations or to protect personal

data and other data we process or maintain, could result in regulatory investigations and enforcement actions against us, fines, penalties and other liabilities, imprisonment of company officials and public censure, claims for damages by customers and other affected individuals, required efforts to mitigate or otherwise respond to incidents, litigation, damage to our reputation and loss of goodwill (both in relation to existing customers and prospective customers), any of which could have a material adverse effect on our operations, financial performance and business. Even the perception of privacy, data protection or cybersecurity concerns, whether or not valid, may harm our reputation and inhibit adoption of our solutions and subscriptions by current and future customers.

Risks Related to Sales of Our Solutions, Subscriptions and Services

If we are unable to sell additional solutions, subscriptions and services, as well as renewals of our subscriptions and services, to our customers, our future revenue and operating results will be harmed.

Our future success depends, in part, on our ability to expand the deployment of our Mandiant Advantage platform with existing customers by selling them additional solutions, subscriptions and services. This may require increasingly sophisticated and costly sales efforts and may not result in additional sales. In addition, the rate at which our customers purchase additional solutions, subscriptions and services depends on a number of factors, including the perceived need for additional IT security, general economic conditions, and our customers' level of satisfaction with our existing solutions they have previously purchased. If our efforts to sell additional solutions, subscriptions and services to our customers are not successful, our business may suffer.

Further, existing customers that purchase our platform have no contractual obligation to renew their subscriptions after the initial contract period, and given our limited operating history, we may not be able to accurately predict our retention rates. Our customers' retention rates may decline or fluctuate as a result of a number of factors, including the level of their satisfaction with our platform, our customer support, customer budgets and the pricing of our platform compared with the solutions and services offered by our competitors. If our customers renew their subscriptions, they may renew for shorter contract lengths or on other terms that are less economically beneficial to us. We cannot assure you that our customers will renew their subscriptions, and if our customers do not renew their subscriptions or renew them on less favorable terms, our revenue may grow more slowly than expected, not grow at all, or even decline.

Our sales cycles can be long and unpredictable, and our sales efforts require considerable time and expense. As a result, our sales, billings and revenue are difficult to predict and may vary substantially from period to period, which may cause our results of operations to fluctuate significantly.

Our results of operations may fluctuate, in part, because of the resource intensive nature of our sales efforts, the length and variability of our sales cycle and the short-term difficulty in adjusting our operating expenses. Our results of operations depend in part on sales to large organizations. The length of our sales cycle, from identification of the opportunity to deal closure, may vary significantly from customer to customer, with sales to large enterprises typically taking longer to complete. To the extent our competitors develop solutions that our prospective customers view as equivalent to ours, our average sales cycle may increase. Because the length of time required to close a sale varies substantially from customer to customer, it is difficult to predict exactly when, or even if, we will make a sale with a potential customer. As a result, large individual sales have, in some cases, occurred in quarters subsequent to or in advance of those we anticipated, or have not occurred at all. We are generally billing a number of large deals in any quarter, and the loss or delay of one or more of these large transactions in a quarter could impact our results of operations for that quarter and any future quarters for which revenue from that transaction is delayed. As a result, it is difficult for us to forecast our revenue accurately in any quarter based on our internal forecasts of billings. Because a substantial portion of our expenses are relatively fixed in the short term, our results of operations will suffer if our revenue falls below our expectations in a particular quarter, which could cause the price of our common stock to decline.

We rely on revenue from sales of solutions and subscriptions and because we recognize revenue from most of these sales over the term of the relevant useful life or subscription period, downturns or upturns in sales are not immediately reflected in full in our results of operations.

Revenue from sales of our solutions and subscriptions accounts for a significant portion of our total revenue. New or renewal sales of subscriptions may decline or fluctuate as a result of a number of factors,

including customers' level of satisfaction with our solutions and subscriptions, the actual or perceived efficacy of our security solutions, the prices of our solutions and subscriptions, the prices of solutions and subscriptions offered by our competitors or reductions in our customers' spending levels. If our sales of new or renewal subscription and service contracts decline, our revenue and revenue growth rate may decline and adversely affect our business. In addition, we recognize revenue from our subscriptions revenue ratably over the term of the relevant contract period, which is generally between one to five years. As a result, much of the solution, subscription and support revenue we report each quarter is derived from sales in prior quarters. Consequently, a decline in new or renewal sales in any one quarter will not be fully reflected in revenue in that quarter but will negatively affect our revenue in future quarters. Accordingly, the effect of significant decreases in the market acceptance of, or demand for, our solutions or subscriptions may not be immediately apparent from our results of operations until future periods. Also, it is difficult for us to rapidly increase our revenue through additional sales in any period, as the majority of our revenue is derived from sales of our solutions, subscriptions and services sold in prior periods. Furthermore, any increases in the average term of our subscriptions would result in a longer revenue recognition period, and could reduce the amount of revenue recognized in each period.

The sales prices of our solutions, subscriptions and services may decrease, which may reduce our gross profits and adversely impact our financial results.

The sales prices for our solutions, subscriptions and services may decline for a variety of reasons, including competitive pricing pressures, discounts, anticipation of the introduction of new solutions by our competitors, or promotional programs offered by us or our competitors. Competition continues to increase in the market segments in which we participate, and we expect competition to further increase in the future, thereby leading to increased pricing pressures. Larger competitors with more diverse solution and service offerings may reduce the price of solutions or subscriptions that compete with ours or may bundle them with other solutions and subscriptions. Additionally, although we price our solutions and subscriptions worldwide in U.S. dollars, currency fluctuations in certain countries and regions may negatively impact actual prices that partners and customers are willing to pay in those countries and regions, or the effective prices we realize in our reporting currency. We cannot assure you that we will be successful in developing and introducing new offerings with enhanced functionality on a timely basis, or that our new subscription offerings, if introduced, will enable us to maintain our gross profits at levels that will allow us to achieve profitability.

If we do not effectively hire, integrate and train our direct sales force, we may be unable to add new customers or increase sales to our existing customers, and our business will be adversely affected.

We continue to be substantially dependent on our direct sales force to obtain new customers and increase sales with existing customers. There is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve revenue growth will depend, in large part, on our success in recruiting, integrating, training and retaining sufficient numbers of sales personnel to support our growth, particularly in international markets. New hires require significant training and may take significant time before they achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. If we are unable to hire and train a sufficient number of effective sales personnel, or the sales personnel we hire are not successful in obtaining new customers or increasing sales to our existing customer base, our business will be adversely affected.

If we are unable to increase sales of our solutions to large organizations while mitigating the risks associated with serving such customers, our business, financial position and results of operations may suffer.

Our growth strategy is dependent, in part, upon increasing sales of our solutions to large enterprises and governments. Sales to large customers involve risks that may not be present (or that are present to a lesser extent) with sales to smaller entities. These risks include:

- increased purchasing power and leverage held by large customers in negotiating contractual arrangements with us;
- more stringent or costly requirements imposed upon us in our support service contracts with such customers, including stricter support response times and penalties for any failure to meet support requirements;

- more complicated implementation processes;
- longer sales cycles and the associated risk that substantial time and resources may be spent on a potential customer that ultimately elects not to purchase our platform or purchases less than we hoped;
- closer relationships with, and dependence upon, large technology companies who offer competitive solutions; and
- more pressure for discounts and write-offs.

In addition, because security breaches with respect to larger, high-profile enterprises are likely to be heavily publicized, there is increased reputational risk associated with serving such customers. If we are unable to increase sales of our offerings to large enterprise and government customers while mitigating the risks associated with serving such customers, our business, financial position and results of operations may suffer.

U.S. federal, state and local government sales are subject to a number of challenges and risks that may adversely impact our business.

Sales to U.S. federal, state, and local governmental agencies have accounted for, and may in the future account for, a significant portion of our revenue. Sales to such government entities are subject to the following risks:

- selling to governmental agencies can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that such efforts will generate a sale;
- government certification requirements applicable to our solutions may change and, in doing so, restrict our ability to sell into the U.S. federal government sector until we have attained the revised certification;
- government demand and payment for our solutions and services may be impacted by government shutdowns, public sector budgetary cycles, contracting requirements and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our solutions and services;
- we sell our solutions to governmental agencies through our indirect channel partners, and these agencies may have statutory, contractual or other legal rights to terminate contracts with our distributors and resellers for convenience or due to a default, and any such termination may adversely impact our future results of operations; and
- governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our platform, which would adversely impact our revenue and results of operations, or institute fines or civil or criminal liability if the audit were to uncover improper or illegal activities.

Our ability to maintain customer satisfaction depends in part on the quality of our professional service organization and technical and other support services, including the quality of the support provided on our behalf by certain channel partners. Failure to maintain high-quality customer support could have a material adverse effect on our business, financial condition and results of operations.

Once our platform is deployed within our customers' networks, our customers depend on our technical and other support services, as well as the support of our channel partners, to resolve any issues relating to the implementation and maintenance of our platform. If we or our channel partners do not effectively assist our customers in deploying our platform, succeed in helping our customers quickly resolve post-deployment issues, or provide effective ongoing support, our ability to sell additional solutions, subscriptions or services as part of our platform to existing customers would be adversely affected and our reputation with potential customers could be damaged. Many larger organizations have more complex networks and require higher levels of support than smaller customers. If we fail to meet the requirements of our larger customers, it may be more difficult to execute on our strategy of upselling and cross selling with these customers. Additionally, if our channel partners do not effectively provide support to the satisfaction of our customers, we may be required to provide this level of support to those customers, which would require us to hire additional personnel and to invest in additional resources. It can take significant time and resources to recruit, hire, and train qualified technical support employees. We may not be able to hire such resources fast enough to keep up with demand.

To the extent that we or our channel partners are unsuccessful in hiring, training, and retaining adequate support resources, our ability and the ability of our channel partners to provide adequate and timely support to our customers will be negatively impacted, and our customers' satisfaction with our platform will be adversely affected. Additionally, to the extent that we need to rely on our sales engineers to provide post-sales support, our sales productivity will be negatively impacted, which would harm our results of operations.

We may not have visibility into particular transactions affecting our financial position and results of operations.

We may, from time to time, change our pricing models. For example, we may offer some of our solutions and services on a consumption-based pricing model. In such event, we will generally recognize revenue on consumption. Because our customers will have flexibility in the timing of their consumption, we will not have the visibility into the timing of revenue recognition that would be the case under a subscription-based pricing model. There is a risk that customers will consume our solutions and services more slowly than we expect, and our actual results may differ from our forecasts. If our quarterly results of operations fall below the expectations of investors and securities analysts who follow our stock, the price of our common stock could decline substantially, and we could face costly lawsuits, including securities class actions.

Risks Related to Intellectual Property and Technology Licensing

Claims by others that we infringe their proprietary technology or other rights could harm our business.

Technology companies frequently enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. In addition, patent holding companies seek to monetize patents they have purchased or otherwise obtained. As we face increasing competition and gain an increasingly higher profile, the possibility of intellectual property rights claims against us grows. From time to time, third parties have asserted, and we expect that third parties will continue to assert, claims of infringement of intellectual property rights against us. For example, on December 29, 2017, we executed Confidential Patent License Agreements with Finjan Holdings, Inc. ("Finjan"), whereby we resolved all pending litigation matters. Under the terms of the settlement agreement, we paid Finjan a one-time net cash settlement amount of \$12.5 million in December 2017, in exchange for the resolution and settlement of all claims between Mandiant and Finjan and for cross-licenses between the companies of certain issued patents and patent applications. Other security companies have paid amounts to the same plaintiff to license some of the patents asserted against us. Third parties may in the future also assert claims against our customers or channel partners, whom our standard license and other agreements obligate us to indemnify against claims that our solutions infringe the intellectual property rights of third parties. Many of our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. In addition, future litigation may involve patent holding companies or other patent owners who have no relevant product offerings or revenue and against whom our own patents may therefore provide little or no deterrence or protection. Any claim of intellectual property infringement by a third party, even a claim without merit, could cause us to incur substantial costs defending against such claim, could distract our management from our business and could require us to cease use of such intellectual property. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by the discovery process.

Although third parties may offer a license to their technology or other intellectual property, the terms of any offered license may not be acceptable, and the failure to obtain a license or the costs associated with any license could cause our business, financial condition and results of operations to be materially and adversely affected. We may also be subject to additional fees or be required to obtain new licenses if any of our licensors allege that we have not properly paid for such licenses or that we have improperly used the technologies under such licenses. In addition, some licenses may be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. If a third party does not offer us a license to its technology or other intellectual property on reasonable terms, or at all, we could be enjoined from continued use of such intellectual property. As a result, we may be required to develop alternative, non-infringing technology, which could require significant time (during which we could be unable to continue to offer our affected solutions, subscriptions or services), effort, and expense and may ultimately not be successful. Furthermore, a successful claimant could secure a judgment or we may agree to a settlement that prevents us from distributing certain solutions,

providing certain subscriptions or performing certain services or that requires us to pay substantial damages, royalties or other fees. Any of these events could harm our business, financial condition and results of operations.

Our technology alliance partnerships expose us to a range of business risks and uncertainties that could have a material adverse impact on our business and financial results.

We have entered, and intend to continue to enter, into technology alliance partnerships with third parties to support our future growth plans. Such relationships include technology licensing, joint technology development and integration, research cooperation, co-marketing activities and sell-through arrangements. We face a number of risks relating to our technology alliance partnerships that could prevent us from realizing the desired benefits from such partnerships on a timely basis or at all, which, in turn, could have a negative impact on our business and financial results.

Technology alliance partnerships require significant coordination between the parties involved, particularly if a partner requires that we integrate its solutions with our solutions. This could involve a significant commitment of time and resources by our technical staff and their counterparts within our technology alliance partner. The integration of solutions from different companies may be more difficult than we anticipate, and the risk of integration difficulties, incompatible solutions and undetected programming errors or defects may be higher than the risks normally associated with the introduction of new solutions. It may also be more difficult to market and sell solutions developed through technology alliance partnerships than it would be to market and sell solutions that we develop on our own. Sales and marketing personnel may require special training, as the new solutions may be more complex than our other solutions.

We invest significant time, money and resources to establish and maintain relationships with our technology alliance partners, but we have no assurance that any particular relationship will continue for any specific period of time. In addition, our technology alliance partners may currently or in the future have offerings that compete with our offerings in certain markets, which may make it difficult to establish long-term or effective relationships with them. Generally, our agreements with technology alliance partners are terminable without cause with no or minimal notice or penalties. If we lose a significant technology alliance partner, we could lose the benefit of our investment of time, money and resources in the relationship. In addition, we could be required to incur significant expenses to develop a new strategic alliance or to determine and implement an alternative plan to pursue the opportunity that we targeted with the former partner.

We may be unable to protect our intellectual property adequately, which could harm our business, financial condition and results of operations.

We believe that our intellectual property is an essential asset of our business. We rely on a combination of patent, copyright, trademark, database rights, and trade secret laws, as well as confidentiality procedures and contractual provisions, to establish and protect our intellectual property rights in the United States and abroad. The efforts we have taken to protect our intellectual property may not be sufficient or effective, and our trademarks, copyrights and patents may be held invalid or unenforceable. Any U.S. or other patents issued to us may not be sufficiently broad to protect our proprietary technologies, and given the costs of obtaining patent protection, we may choose not to seek patent protection for certain of our proprietary technologies. We may not be effective in policing unauthorized use of our intellectual property, and even if we do detect violations, litigation may be necessary to enforce our intellectual property rights. Any enforcement efforts we undertake, including litigation, could be time-consuming and expensive, could divert management's attention and may result in a court determining that our intellectual property rights are unenforceable. If we are not successful in cost-effectively protecting our intellectual property rights, our business, financial condition and results of operations could be harmed.

We incorporate technology from third parties into our solutions, and our inability to obtain or maintain rights to the technology could harm our business.

We incorporate technology from third parties into our solutions. We cannot be certain that our suppliers and licensors are not infringing the intellectual property rights of third parties or that the suppliers and licensors have sufficient rights to the technology in all jurisdictions in which we may sell our solutions. Some of our agreements with our suppliers and licensors may be terminated for convenience by them. If we are unable

to obtain or maintain rights to any of this technology because of intellectual property infringement claims brought by third parties against our suppliers and licensors or against us, or if we are unable to continue to obtain such technology or enter into new agreements on commercially reasonable terms, our ability to develop and sell solutions, subscriptions and services containing such technology could be severely limited, and our business could be harmed. Additionally, if we are unable to obtain necessary technology from third parties, including certain sole suppliers, we may be forced to acquire or develop alternative technology, which may require significant time, cost and effort and may be of lower quality or performance standards. This would limit and delay our ability to offer new or competitive solutions and increase our costs of development. If alternative technology cannot be obtained or developed, we may not be able to offer certain functionality as part of our solutions, subscriptions and services. As a result, our margins, market share and results of operations could be significantly harmed.

Our solutions and subscriptions contain third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict our ability to sell our solutions and subscriptions.

Our solutions and subscriptions contain software modules licensed to us by third-party authors under “open source” licenses. The use and distribution of open source software may entail greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar solutions with lower development effort and time and ultimately could result in a loss of sales for us.

Although we monitor our use of open source software to try to avoid subjecting our solutions and subscriptions to conditions, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that these licenses could be construed in ways that could impose unanticipated conditions or restrictions on our ability to commercialize solutions and subscriptions incorporating such software. Moreover, we cannot assure you that our processes for controlling our use of open source software in our solutions and subscriptions will be effective. From time to time, we may face claims from third parties asserting ownership of, or demanding release of, the open source software or derivative works that we developed using such software (which could include our proprietary source code), or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation. If we are held to have breached the terms of an open source software license, we could be required to seek licenses from third parties to continue offering our solutions on terms that are not economically feasible, to re-engineer our solutions, to discontinue the sale of our solutions if re-engineering could not be accomplished on a timely or cost-effective basis, or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, results of operations and financial condition.

Risks Related to Operations Outside the United States

We generate a significant amount of revenue from sales through resellers, distributors and end customers outside of the United States, and we are therefore subject to a number of risks associated with international sales and operations.

We have a limited history of marketing, selling, and supporting our platform internationally. As a result, we must hire and train experienced personnel to staff and manage our foreign operations. To the extent that we experience difficulties in recruiting, training, managing, and retaining international employees, particularly managers and other members of our international sales team, we may experience difficulties in sales productivity in, or market penetration of, foreign markets. We also enter into strategic distributor and reseller relationships with companies in certain international markets where we do not have a local presence. If we are not able to maintain successful strategic distributor relationships with our international channel partners or recruit additional channel partners, our future success in these international markets could be limited. Business practices in the international markets that we serve may differ from those in the United States and may require us to include non-standard terms in customer contracts, such as extended payment or warranty terms. To the

extent that we enter into customer contracts in the future that include non-standard terms related to payment, warranties, or performance obligations, our results of operations may be adversely impacted.

Additionally, our international sales and operations are subject to a number of risks, including the following:

- greater difficulty in enforcing contracts and managing collections, as well as longer collection periods
- higher costs of doing business internationally, including incremental regulatory compliance costs, taxes and employee benefit costs, as well as costs incurred in establishing and maintaining office space and equipment for our international operations;
- fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business, such as the British Pound Sterling, which experienced a sharp decline in value compared to the U.S. dollar and other currencies;
- management communication and integration problems resulting from cultural and geographic dispersion;
- risks associated with trade restrictions and foreign legal requirements, including any importation, certification, and localization of our platform that may be required in foreign countries and any changes in trade relations and restrictions;
- greater risk of unexpected changes in foreign and domestic regulatory practices, tariffs and tax laws and treaties, including regulatory and trade policy changes;
- compliance with anti-bribery laws, including, without limitation, compliance with the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. Travel Act and the U.K. Bribery Act 2010, violations of which could lead to significant fines, penalties and collateral consequences for our Company;
- heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements;
- the uncertainty of protection for intellectual property rights in some countries;
- foreign exchange controls or tax regulations that might prevent us from repatriating cash earned outside the United States;
- general economic, political and social conditions in these foreign markets, including the perception of doing business with U.S. based companies and changes in regulatory requirements that impact our operating strategies, access to global markets or hiring;
- political and economic instability in some countries, such as those caused by the 2016 U.S. presidential election and the withdrawal of the United Kingdom from the European Union, commonly referred to as “Brexit”;
- increased exposure to public health issues such as the current COVID-19 pandemic, and related industry and governmental actions to address these issues; and
- double taxation of our international earnings and potentially adverse tax consequences due to changes in the tax laws of the United States or the foreign jurisdictions in which we operate.

Further, the interpretation and application of international laws and regulations in many cases is uncertain, and our legal and regulatory obligations in foreign jurisdictions are subject to frequent and unexpected changes, including the potential for various regulatory or other governmental bodies to enact new or additional laws or regulations or to issue rulings that invalidate prior laws or regulations.

For example, Brexit could also lead to further legislative and regulatory changes. A Data Protection Act that substantially implements the GDPR has been implemented in the U.K., effective in May 2018 and subject to additional statutory amendments in 2019 to further align such Data Protection Act with the GDPR. It is unclear, however, how U.K. data protection laws or regulations will develop in the medium to longer term,

and how data transfers to and from the U.K. will be regulated. In particular, the U.K.'s exit from the EU to effectuate Brexit could require us to make additional changes to the way we conduct our business and transmit data from the EU into the U.K.

These and other factors could harm our ability to generate future international revenue and, consequently, materially impact our business, results of operations and financial condition.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations.

Our sales contracts are denominated in U.S. dollars, and therefore our revenue is not subject to foreign currency risk. However, strengthening of the U.S. dollar increases the real cost of our solutions, subscriptions and services to our customers outside of the United States, which could lead to delays in the purchase of our solutions and services and the lengthening of our sales cycle. In addition, we are incurring an increasing portion of our operating expenses outside the United States. These expenses are denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates.

Additionally, Brexit resulted in an adverse impact to currency exchange rates, notably the British Pound Sterling which experienced a sharp decline in value compared to the U.S. dollar and other currencies. A significantly weaker British Pound Sterling compared to the U.S. dollar could have a significantly negative effect on our financial condition and results of operations.

We do not currently hedge against the risks associated with currency fluctuations but may do so in the future.

We are subject to governmental export and import controls that could subject us to liability or impair our ability to compete in international markets.

Our solutions are subject to U.S. export controls and trade and economic sanctions, specifically the Commerce Department Export Administration Regulations ("EAR") and regulations enforced by the Office of Foreign Assets Control. We incorporate standard encryption algorithms into many of our solutions, which, along with the underlying technology, may be exported outside of the U.S. only with the required export authorizations, including by license, license exception or other appropriate government authorizations, which may require the filing of a classification request and/or annual and semi-annual reporting. Additionally, our current or future solutions may be classified under the EAR or as defense articles subject to the United States International Traffic in Arms Regulations ("ITAR"). Most of our solutions have been classified under the EAR and are generally exportable without needing a specific license, under an EAR exception for encryption software. If a solution, or component of a solution, is classified under the ITAR, or is ineligible for the EAR encryption exception, then those solutions could be exported outside the United States only if we obtain the applicable export license or qualify for a different license exception. In certain contexts, the services we provide might be classified as defense services subject to the ITAR separately from the solutions we provide. Compliance with the EAR, ITAR, and other applicable regulatory requirements regarding the export of our solutions, including new releases of our solutions and/or the performance of services, may create delays in the introduction of our solutions in non-U.S. markets, prevent our customers with non-U.S. operations from deploying our solutions throughout their global systems or, in some cases, prevent the export of our solutions to some countries altogether. Violations of U.S. sanctions or export control regulations can result in significant fines or penalties and possible incarceration for responsible employees and managers. If our channel partners fail to obtain appropriate import, export, or re-export licenses or permits, we may also be adversely affected through reputational harm, as well as other negative consequences, including government investigations and penalties.

In addition, proposed regulations have been released in the United States which may subject additional solutions, technology, and services to control under the EAR. If those regulations go into effect as currently written, we may need to apply for and obtain licenses prior to exporting these items to certain destinations and end-users. This licensing requirement could increase the time between order and delivery for these items and also could result in us not being able to provide solutions and services to particular customers if any license request is denied, which could adversely affect our business, financial condition and results of operations.

Also, various countries, in addition to the United States, regulate the import and export of certain cybersecurity, encryption and other solutions, technology and services, including through export and import permit and licensing requirements, and have enacted laws that could limit our ability to distribute our solutions, could limit our customers' ability to implement our solutions or could limit our ability to provide services to our customers in those countries. Changes in our solutions or changes in export and import regulations may create delays in the introduction of our solutions into international markets, prevent our customers with international operations from deploying our solutions globally or, in some cases, prevent the export or import of our solutions to certain countries, governments or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our solutions by, or in our decreased ability to export or sell our solutions to, existing or potential customers with international operations. Any decreased use of our solutions or limitation on our ability to export to or sell our solutions in international markets would likely adversely affect our business, financial condition and results of operations.

Risks Related to Our Convertible Senior Notes

We are leveraged financially, which could adversely affect our ability to adjust our business to respond to competitive pressures and to obtain sufficient funds to satisfy our future growth, business needs and development plans.

We have substantial existing indebtedness. In June 2015, we issued \$460.0 million principal amount of 1.000% Convertible Senior Notes due 2035 (the "Series A Notes") and \$460.0 million principal amount of 1.625% Convertible Senior Notes due 2035 (the "Series B Notes" and, together with the Series A Notes, the "2035 Notes"). During the three months ended June 30, 2018, we issued \$600.0 million aggregate principal amount of 0.875% Convertible Senior Notes due 2024 (the "2024 Notes" and, together with the 2035 Notes, the "convertible notes") and repurchased approximately \$340.2 million aggregate principal amount of the Series A Notes. During the three months ended June 30, 2020, we repurchased approximately \$96.4 million aggregate principal amount of the Series A Notes. As a result, as of December 31, 2021, we had approximately \$1.1 billion aggregate principal amount of convertible notes outstanding.

The degree to which we are leveraged could have negative consequences, including, but not limited to, the following:

- we may be more vulnerable to economic downturns, less able to withstand competitive pressures and less flexible in responding to changing business and economic conditions;
- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes may be limited;
- a substantial portion of our cash flows from operations in the future may be required for the payment of the principal amount of our existing indebtedness when it becomes due; and
- we may elect to make cash payments upon any conversion of the convertible notes, which would reduce our cash on hand.

Our ability to meet our payment obligations under our convertible notes depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. There can be no assurance that our business will generate cash flow from operations, or that additional capital will be available to us, in an amount sufficient to enable us to meet our debt payment obligations and to fund other liquidity needs. If we are unable to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we were unable to implement one or more of these alternatives, we may be unable to meet our debt payment obligations, which could have a material adverse effect on our business, results of operations, or financial condition.

If holders of the 2035 Notes require us to repurchase their notes on any repurchase date, our financial condition and operating results could be adversely affected.

Holders of the Series A Notes have the right to require us to repurchase their notes on each of June 1, 2025 and June 1, 2030, and holders of the Series B Notes will have the right to require us to repurchase their notes on each of June 1, 2022, June 1, 2025 and June 1, 2030 at a repurchase price equal to 100% of the principal amount of the notes of the relevant series to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the relevant repurchase date pursuant to the applicable indenture governing such series of notes. If holders require us to repurchase their notes of an applicable series on an applicable repurchase date, our financial condition and operating results could be adversely affected.

The conditional conversion feature of each series of convertible notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of a series of convertible notes is triggered, holders of such series of convertible notes will be entitled to convert their convertible notes at any time during specified periods at their option. If one or more holders of such convertible notes elect to convert their convertible notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders of such series of convertible notes do not elect to convert their convertible notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of such series of convertible notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the convertible notes, is subject to changes that could have a material effect on our reported financial results.

The current accounting method for reflecting the convertible notes on our balance sheet, accruing interest expense for the convertible notes and reflecting the shares of our common stock underlying the convertible notes in our reported diluted earnings per share may adversely affect our reported earnings and financial condition. Under current accounting principles, the initial liability carrying amount of the convertible notes is the fair value of a similar debt instrument that does not have a conversion feature, valued using our cost of capital for straight, unconvertible debt.

However, in August 2020, FASB issued ASU No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06), eliminating the separate accounting for the debt and equity components as described above. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted for fiscal years beginning after December 15, 2020, and can be adopted on either a fully retrospective or modified retrospective basis. We are currently evaluating the timing, method of adoption and overall impact of this standard on our consolidated financial statements.

When we adopt ASU 2020-06, we expect the elimination of the separate accounting for the debt and equity components of our convertible notes described above to reduce the interest expense that we expect to recognize for the notes for accounting purposes. In addition, ASU 2020-06 eliminates the use of the treasury stock method for convertible instruments that can be settled in whole or in part with equity, and instead requires application of the "if-converted" method. Among other potential impacts, our adoption of ASU 2020-06 is expected to reduce reported interest expense, increase reported net income, and result in a reclassification of certain conversion feature balance sheet amounts from stockholders' equity to liabilities as it relates to the convertible notes. Furthermore, if any of the conditions to the convertibility for a series of convertible notes is satisfied, then we may be required under applicable accounting standards to reclassify the liability carrying value of such series of convertible notes as a current, rather than a long-term, liability. This reclassification could be required even if no holders of the applicable series of convertible notes convert their notes and could materially reduce our reported working capital and have a material effect on our reported financial results.

Transactions related to our convertible notes may affect the market price of our common stock.

The conversion of any of our series of convertible notes, if such conversion occurs, will dilute the ownership interests of then-existing stockholders to the extent we deliver shares upon conversion of any of the convertible notes. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the convertible notes may encourage short selling by market participants because any conversion of the convertible notes could be used to satisfy short positions, or anticipated conversion of the convertible notes into shares of our common stock could depress the price of our common stock.

In addition, in connection with our issuance of the 2024 Notes, we entered into capped call transactions (the “capped call transactions”) with certain financial institutions (the “option counterparties”). The capped call transactions are expected generally to reduce the potential dilution to our common stock upon any conversion of the 2024 Notes and/or offset any cash payments we are required to make in excess of the principal amount of such 2024 Notes converted, as the case may be, with such reduction and/or offset subject to a cap. From time to time, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the 2024 Notes. This activity could cause a decrease in the market price of our common stock.

We are subject to counterparty risk with respect to the capped call transactions.

The option counterparties to our capped call transactions are financial institutions, and we will be subject to the risk that one or more of the counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate, their obligations under the capped call transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Adverse global economic conditions may result in the actual or perceived failure or financial difficulties for financial institutions, including one or more of our option counterparties. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with that option counterparty. Our exposure will depend on many factors but, generally, our exposure will increase if the market price or the volatility of our common stock increases. In addition, upon a default or other failure to perform, or a termination of obligations, by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the option counterparties.

Risks Related to Our Series A Convertible Preferred Stock

The holders of Series A Convertible Preferred Stock may exercise influence over us, including through their ability to designate a member of our board of directors

The holders of Series A Convertible Preferred Stock are generally entitled to vote with the holders of the shares of common stock on all matters submitted for a vote of holders of shares of common stock (voting together with the holders of shares of common stock as one class) on an as-converted basis, subject to certain Nasdaq voting limitations, if applicable. Additionally, the consent of the holders of a majority of the outstanding shares of Series A Convertible Preferred Stock is required for so long as any shares of the Series A Convertible Preferred Stock remain outstanding for (i) amendments to our organizational documents that have an adverse effect on the holders of Series A Convertible Preferred Stock and (ii) issuances by us of securities that are senior to, or equal in priority with, the Series A Convertible Preferred Stock. In addition, for so long as 25% of the Series A Convertible Preferred Stock issued in connection with the Securities Purchase Agreement with BTO Delta Holdings DE L.P., an investment vehicle of funds affiliated with The Blackstone Group Inc. (“Blackstone”), and the Securities Purchase Agreement with ClearSky Security Fund I LLC and ClearSky Power & Technology Fund II LLC (together, the “Series A Securities Financing Agreements”) remains outstanding, consent of the holders of a majority of the outstanding shares of Series A Convertible Preferred Stock will be required for (A) any change to the size of our board of directors, (B) any voluntary dissolution, liquidation, bankruptcy, winding up or deregistration or delisting, and (C) incurrence by us of net debt in excess of \$350,000,000.

Additionally, pursuant to the applicable Series A Securities Financing Agreement, Blackstone has the right to nominate for election one member to our board of directors for so long as Blackstone holds 65% of the Series A Convertible Preferred Stock. The director designated by Blackstone is entitled to serve on committees of our board of directors, subject to applicable law and Nasdaq rules. Notwithstanding the fact that all directors will be subject to fiduciary duties to us and to applicable law, the interests of the director designated by Blackstone may differ from the interests of our security holders as a whole or of our other directors.

As a result, the holders of Series A Convertible Preferred Stock have the ability to influence the outcome of certain matters affecting our governance and capitalization. The sponsors of the holders of Series A Convertible Preferred Stock are in the business of making or advising on investments in companies, including businesses that may directly or indirectly compete with certain portions of our business, and they may have interests that diverge from, or even conflict with, those of our other shareholders. They may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. Our obligations to the holders of Series A Convertible Preferred Stock could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition.

Our Series A Convertible Preferred Stock has rights, preferences, and privileges that are not held by, and are preferential to, the rights of holders of our common stock, which could adversely affect our liquidity and financial condition.

The holders have the right under the Series A Certificate of Designation to receive a liquidation preference entitling them to be paid an amount per share equal to the greater of (i) \$1,000 per share, plus all accrued and unpaid dividends and (ii) the amount that the holder of Series A Convertible Preferred Stock would have been entitled to receive at such time if the Series A Convertible Preferred Stock were converted into common stock. In addition, the holders are entitled to dividends on the original purchase price of \$1,000 per share at a rate of 4.5% per annum, that (i) for the first three years after December 11, 2020, or the Series A closing date, will be paid in-kind, and (ii) after the third anniversary of the Series A closing date, will, at our election either be paid in cash, or, if not, will accrue and accumulate, in each case, accruing daily and paid quarterly in arrears. The holders are also entitled to participate in dividends declared or paid on the common stock on an as-converted basis.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock or the Series A Convertible Preferred Stock and may negatively impact the holders' investment.

Except in certain circumstances, we are not restricted from issuing additional shares of common stock or preferred stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or preferred stock or any substantially similar securities. The market price of our common stock or Series A Convertible Preferred Stock could decline as a result of sales of a large number of shares of common stock or Series A Convertible Preferred Stock or similar securities in the market or the perception that such sales could occur. For example, if we issue preferred stock in the future that has a preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding-up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

In addition, each share of Series A Convertible Preferred Stock will initially be convertible at the option of the holder thereof into shares of our common stock. The conversion of some or all of the Series A Convertible Preferred Stock will dilute the ownership interest of our existing common stockholders. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of the outstanding shares of our common stock and Series A Convertible Preferred Stock. In addition, the existence of our Series A Convertible Preferred Stock may encourage short selling or arbitrage trading activity by market participants because the conversion of our Series A Convertible Preferred Stock could depress the price of our equity securities. As noted above, a decline in the market price of the common stock may negatively impact the market price for the Series A Convertible Preferred Stock.

Risks Related to Ownership of Our Common Stock

If securities or industry analysts do not publish research or reports about our business, or publish inaccurate or unfavorable research reports about our business, our share price and trading volume could decline.

The trading market for our common stock, to some extent, depends on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us should downgrade our shares or change their opinion of our shares, industry sector or solutions, our share price would likely decline. If one or more of these analysts ceases coverage of us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

We may fail to meet our publicly announced guidance or other expectations about our business and future operating results, which would cause our stock price to decline.

We have provided and may continue to provide guidance about our business and future operating results. In developing this guidance, our management must make certain assumptions and judgments about our future performance. Furthermore, analysts and investors may develop and publish their own projections of our business, which may form a consensus about our future performance. Our business results may vary significantly from such guidance or that consensus due to a number of factors, many of which are outside of our control, and which could adversely affect our operations and operating results. Such factors may include the possibility that interpretation, industry practice, and accounting guidance may continue to evolve during the early stages of adoption of Accounting Standard Update 2014-09, Revenue from Contracts with Customers (Topic 606). Furthermore, if we make downward revisions of our previously announced guidance, or if our publicly announced guidance of future operating results fails to meet expectations of securities analysts, investors or other interested parties, the price of our common stock would decline.

The price of our common stock has been and may continue to be volatile, and the value of your investment could decline.

The trading price of our common stock has been volatile since our initial public offering, and is likely to continue to be volatile. The trading price of our common stock may fluctuate widely in response to various factors, some of which are beyond our control. These factors include:

- whether our results of operations, and in particular, our revenue growth rates, meet the expectations of securities analysts or investors;
- actual or anticipated changes in the expectations of investors or securities analysts, whether as a result of our forward-looking statements, our failure to meet such expectation or otherwise;
- announcements of new solutions, services or technologies, commercial relationships, acquisitions or other events by us or our competitors;
- changes in how customers perceive the effectiveness of our platform in protecting against advanced cyber-attacks or other reputational harm;
- publicity concerning cyber-attacks in general or high profile cyber-attacks against specific organizations;
- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of technology and/or growth companies in general and of companies in the IT security industry in particular;
- fluctuations in the trading volume of our shares or the size of our public float;
- actual or anticipated changes or fluctuations in our results of operations;
- litigation involving us, our industry, or both;
- regulatory developments in the United States, foreign countries or both;
- general economic conditions and trends;

- natural disasters or other catastrophic events;
- public health crises and related measures to protect the public health, such as the COVID-19 pandemic;
- actual or perceived security breaches or incidents that we or our service providers may suffer;
- sales of large blocks of our common stock or substantial future sales by our directors, executive officers, employees and significant stockholders; and
- departures of key personnel.

In addition, if the market for technology stocks or the stock market in general experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, results of operations or financial condition. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. The price of our common stock has been highly volatile since our IPO in September 2013, and several lawsuits alleging violations of securities laws were filed against us and certain of our current and former directors and executive officers in 2014 and 2015. Any securities litigation could result in substantial costs and divert our management's attention and resources from our business. This could have a material adverse effect on our business, results of operations and financial condition.

Sales of substantial amounts of our common stock in the public markets, or sales of our common stock by our executive officers and directors under Rule 10b5-1 plans, could adversely affect the market price of our common stock.

Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales could occur, could adversely affect the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. In addition, certain of our executive officers and directors have adopted, and other executive officers and directors may in the future adopt, written plans, known as "Rule 10b5-1 Plans," under which they have contracted, or may in the future contract, with a broker to sell shares of our common stock on a periodic basis to diversify their assets and investments. Sales made by our executive officers and directors pursuant to Rule 10b5-1, regardless of the amount of such sales, could adversely affect the market price of our common stock.

The issuance of additional stock in connection with financings, acquisitions, investments, our stock incentive plans, conversion of our convertible notes, conversion of the Series A Convertible Preferred Stock or otherwise will dilute all other stockholders.

Our amended and restated certificate of incorporation authorizes us to issue up to 1,000,000,000 shares of common stock and up to 100,000,000 shares of preferred stock with such rights and preferences as may be determined by our board of directors. Subject to compliance with applicable rules and regulations, we may issue shares of common stock or securities convertible into our common stock from time to time in connection with a financing, acquisition, investment, our stock incentive plans, the conversion of our convertible notes or otherwise. For example, in October 2017, we issued 259,425 shares of common stock in connection with our acquisition of The Email Laundry; in January 2018, we issued 1,016,334 shares of common stock in connection with our acquisition of X15; in May 2019, we issued 8,404,609 shares of common stock in connection with our acquisition of Verodin, in November 2020, we issued 4,931,862 shares of common stock in connection with our acquisition of Respond Software. In addition, we issued \$920.0 million aggregate principal amount of 2035 Notes, of which approximately \$483.4 million aggregate principal remains outstanding, and we issued \$600.0 million aggregate principal amount of the 2024 Notes during the three months ended June 30, 2018. In December 2020, we issued 400,000 shares of Series A Convertible Preferred Stock. Any future issuances could result in substantial dilution to our existing stockholders and cause the trading price of our common stock to decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any dividends on our common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in

the future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases.

Our charter documents and Delaware law, as well as certain provisions of our convertible notes, could discourage takeover attempts and lead to management entrenchment, which could also reduce the market price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change in control of us. These provisions could also make it difficult for stockholders to elect directors who are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include:

- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by our board of directors, the chairperson of our board of directors, our Chief Executive Officer or our President (in the absence of a Chief Executive Officer), which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the requirement for the affirmative vote of holders of at least 66 $\frac{2}{3}$ % of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation relating to the management of our business (including our classified board structure) or certain provisions of our amended and restated bylaws, which may inhibit the ability of an acquiror to effect such amendments to facilitate an unsolicited takeover attempt;
- the ability of our board of directors to amend the bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquiror to amend the bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law, which may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a specified period of time. Additionally, certain provisions of our convertible notes could make it more difficult or more expensive for a third party to acquire us. The application of Section 203 or certain provisions of our convertible notes also could have the effect of discouraging, delaying or preventing a transaction involving a change in control of us. Any of these provisions could, under certain circumstances, depress the market price of our common stock.

We cannot guarantee that our stock repurchase program will be fully implemented or that it will enhance long-term stockholder value.

In June 2021, our board of directors approved a stock repurchase program for the repurchase of up to \$500 million of the currently outstanding shares of our common stock. As of December 31, 2021, approximately \$200 million remained available under the stock repurchase program. The repurchase program

has no termination date and may be suspended for periods, amended or discontinued at any time. We are not obligated to repurchase a specified number or dollar value of shares. Share repurchases under the program will be made from time to time in private transactions or open market purchases, as permitted by securities laws and other legal requirements. There can be no guarantee around the timing of our share repurchases, or that the volume of such repurchases will increase. The stock repurchase program could affect the price of our common stock, increase volatility, diminish our cash reserves, and even if fully implemented may not enhance long-term stockholder value.

Risks Related to Potential Catastrophic Events

The global COVID-19 pandemic, and government imposed COVID-19 vaccination mandates or testing requirements, could harm our business and results of operations.

This COVID-19 pandemic has continued to spread across the globe and is impacting worldwide economic activity and financial markets. In light of the uncertain and rapidly evolving situation relating to the spread of COVID-19, including the occurrence of breakthrough cases and COVID-19 variants, we have taken precautionary measures intended to minimize the risk of the virus to our employees, our customers, and the communities in which we operate, which could negatively impact our business. Although we continue to monitor the situation and may adjust our current policies as more information and public health guidance become available, precautionary measures that have been adopted could negatively affect our customer success efforts, sales and marketing efforts, delay and lengthen our sales cycles, or create operational or other challenges, any of which could harm our business and results of operations. In addition, the COVID-19 pandemic may disrupt the operations of our customers and partners for an indefinite period of time, including as a result of travel restrictions and/or business shutdowns, all of which could negatively impact our business and results of operations, including cash flows. More generally, the COVID-19 pandemic could adversely affect economies and financial markets globally, potentially leading to an economic downturn, which could decrease technology spending and adversely affect demand for our offerings and harm our business and results of operations. It is not possible at this time to estimate the impact that the COVID-19 pandemic could have on our business, as the impact will depend on future developments, which are highly uncertain and cannot be predicted.

In addition, in January 2022, the U.S. Supreme Court struck down the U.S. Department of Labor's Occupational Safety and Health Administration ("OSHA") Emergency Temporary Standard (the "ETS") requiring that all employers with at least 100 employees ensure that their U.S. employees are fully vaccinated for COVID-19. Following that ruling, OSHA chose to withdraw the vaccine ETS altogether. In addition, the federal district court in Georgia stayed the enforcement of the mandatory employee COVID-19 vaccination requirement found in President Biden's Executive Order for U.S. government contractors and their subcontractors (the "Executive Order"). As a result, we revised our COVID-19 policy to only require COVID-19 vaccination for employees or visitors that will be entering any of Mandiant's U.S. office locations. We are also complying with the other aspects of the Executive Order for federal government contractors at our covered contractor workplaces that have not been stayed by the federal courts. Our implementation and enforcement of vaccination requirements could be difficult, costly, and potentially result in employee attrition, including attrition of key employees, disruptions in workforce performance, and difficulty securing future labor needs, any of which could have a material adverse effect on our business, financial condition, and results of operations.

Our business is subject to the risks of earthquakes, fire, power outages, floods and other catastrophic events, and to interruption by man-made problems such as terrorism or armed conflicts.

Natural disasters or other catastrophic events, including earthquakes, fires, floods, significant power outages, telecommunications failures, outbreak of pandemic or contagious diseases (including, but not limited to, the current COVID-19 pandemic) and cyber-attacks, may cause damage or disruption to our operations, international commerce and the global economy, and thus could have a material adverse impact on our business, results of operations, and financial condition. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our facilities or the facilities of our public cloud providers could result in disruptions, outages, and other performance and quality problems. Customer data could be lost, significant recovery time could be required to resume operations and our financial condition

and operating results could be adversely affected in the event of a natural disaster or other catastrophic event. In addition, computer malware, viruses and computer hacking, fraudulent use attempts, and phishing attacks have become more prevalent in our industry, and our internal systems may be victimized by such attacks. Although we maintain incident management and disaster response plans, in the event of a major disruption caused by a natural disaster or man-made problem, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our development activities, lengthy interruptions in service, breaches of data security and loss of critical data, and our insurance may not cover such events or may be insufficient to compensate us for the potentially significant losses we may incur. Furthermore, acts of terrorism, armed conflicts and other geo-political unrest could cause disruptions in our business or the business of our public cloud providers, partners, or customers or the economy as a whole. Any disruption in the business of our public cloud providers, partners or end-customers that impacts sales could have a significant adverse impact on our financial results. All of the aforementioned risks may be further increased if the disaster recovery plans for us and our public cloud providers prove to be inadequate. To the extent that any of the above should result in delays or cancellations of customer orders or the loss of customers, our business, financial condition and results of operations would be adversely affected.

General Risk Factors

Fluctuating economic conditions make it difficult to predict revenue for a particular period, and a shortfall in revenue may harm our business and operating results.

Our revenue depends significantly on general economic conditions and the demand for solutions and services in the IT security market. Economic weakness, customer financial difficulties, and constrained spending on IT security may result in decreased revenue and earnings.

In addition, concerns regarding the effects of Brexit, uncertainties related to changes in public policies such as domestic and international regulations, taxes, or international trade agreements, international trade disputes, government shutdowns, geopolitical turmoil and other disruptions to global and regional economies and markets in many parts of the world, have and may continue to put pressure on global economic conditions and overall spending on IT security. General economic weakness may also lead to longer collection cycles for payments due from our customers, an increase in customer bad debt, restructuring initiatives and associated expenses, and impairment of investments. Furthermore, the continued uncertainty in worldwide credit markets, including the sovereign debt situation in certain countries in the EU may adversely impact the ability of our customers to adequately fund their expected capital expenditures, which could lead to delays or cancellations of planned purchases of our platform.

The COVID-19 pandemic has created significant uncertainty in the global economy. The COVID-19 pandemic and health measures taken by governments and private industry in response to the pandemic, including stay-at-home orders and travel restrictions, have had significant negative effects on the economy. Continued uncertainty about the pandemic, associated economic consequences, and potential relief measures may have a long-term adverse effect on the economy, our customers, partners, suppliers, and our business.

Uncertainty about future economic conditions also makes it difficult to forecast operating results and to make decisions about future investments. Future or continued economic weakness for us or our customers, failure of our customers and markets to recover from such weakness, customer financial difficulties, and reductions in spending on IT security could have a material adverse effect on demand for our solutions, subscriptions and services and consequently on our business, financial condition and results of operations.

If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our results of operations could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in our stock price.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that

are not readily apparent from other sources. In general, if our estimates, judgments or assumptions related to our critical accounting policies change or if actual circumstances differ from our estimates, judgments or assumptions, our results of operations may be adversely affected and could fall below our publicly announced guidance or the expectations of securities analysts and investors, which may result in a decline in our stock price. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to assets, liabilities, revenue, expenses and related disclosures.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”), a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income. Our existing NOLs may be subject to limitations arising from previous ownership changes. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code and adversely affect our ability to utilize our NOLs in the future. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. For example, the Tax Act, as modified by the CARES Act, changed certain limitations on our ability to use our federal NOLs, and California recently enacted legislation limiting our ability to use our state NOLs for taxable years 2020, 2021, and 2022. For these reasons, we may not be able to utilize a material portion of the NOLs reflected on our balance sheet, even if we attain profitability.

The requirements of being a public company may strain our resources, divert management’s attention and affect our ability to attract and retain qualified board members.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the listing requirements of Nasdaq and other applicable securities rules and regulations. Compliance with these rules and regulations has increased and will continue to increase our legal, administrative and financial compliance costs, has made and will continue to make some activities more difficult, time-consuming or costly, and has increased and will continue to increase demand on our systems and resources. Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and results of operations and maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management’s attention may be diverted from other business concerns, which could harm our business and results of operations. Although we have already hired additional employees to comply with these requirements, we may need to hire even more employees in the future, which will increase our costs and expenses.

We are subject to the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act (“Section 404”), enhanced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. While we were able to determine in our management’s report for fiscal 2021 that our internal control over financial reporting is effective, as well as provide an unqualified attestation report from our independent registered public accounting firm to that effect, we have and will continue to consume management resources and incur significant expenses for Section 404 compliance on an ongoing basis. Changes to our business applications, processes and IT infrastructure to support our business needs, including the implementation of our planned new ERP system, may require the design of new controls subject to attestation. In the event that our Chief Executive Officer, Chief Financial Officer, or independent registered public accounting firm determines in the future that our internal control over financial reporting is not effective as defined under Section 404, we could be subject to one or more investigations or enforcement actions by state or federal regulatory agencies, stockholder lawsuits or other adverse actions requiring us to incur defense costs, pay fines, settlements or judgments and causing investor perceptions to be adversely affected and potentially resulting in a decline in the market price of our common stock.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations, and standards, and this investment will increase our general and administrative expense and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations, and standards are unsuccessful, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that these new rules and regulations will make it more expensive for us to obtain and maintain director and officer liability insurance, and in the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified executive officers and members of our board of directors, particularly to serve on our audit committee and compensation committee.

In addition, as a result of our disclosure obligations as a public company, we have reduced strategic flexibility and are under pressure to focus on short-term results, which may adversely impact our ability to achieve long-term profitability.

We are obligated to maintain proper and effective internal control over financial reporting. We may not complete our analysis of our internal control over financial reporting in a timely manner, or this internal control may not be determined to be effective, which may adversely affect investor confidence in our Company and, as a result, the value of our common stock.

We are required, pursuant to the Exchange Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our auditors have issued an attestation report on our internal controls.

While we were able to determine in our management's report for fiscal 2021 that our internal control over financial reporting is effective, as well as provide an unqualified attestation report from our independent registered public accounting firm to that effect, we may not be able to complete our evaluation, testing, and any required remediation in a timely fashion or our independent registered public accounting firm may not be able to formally attest to the effectiveness of our internal control over financial reporting in the future. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting that we are unable to remediate before the end of the same fiscal year in which the material weakness is identified, we will be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to attest to the effectiveness of our internal controls or determine we have a material weakness in our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline.

Increased scrutiny of our environmental, social or governance responsibilities may result in additional costs and risks, and may adversely impact our reputation, employee retention, and willingness of customers and suppliers to do business with us.

Investor advocacy groups, institutional investors, investment funds, proxy advisory services, stockholders, and customers are increasingly focused on environmental, social and governance ("ESG") practices of companies. Additionally, public interest and legislative pressure related to public companies' ESG practices continues to grow. If our ESG practices fail to meet regulatory requirements or investor or other industry stakeholders' evolving expectations and standards for responsible corporate citizenship in areas including environmental stewardship, support for local communities, Board of Director and employee diversity, human capital management, employee health and safety practices, product quality, supply chain management, corporate governance and transparency and employing ESG strategies in our operations, our brand, reputation and employee retention may be negatively impacted and customers and suppliers may be unwilling

to do business with us. In addition, as we work to align our ESG practices with industry standards, we will likely continue to expand our disclosures in these areas and doing so may result in additional costs and require additional resources to monitor, report, and comply with our various ESG practices. If we fail to adopt ESG standards or practices as quickly as stakeholders desire, report on our ESG efforts or practices accurately, or satisfy the expectations of stakeholders, our reputation, business, financial performance and growth may be adversely impacted.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters is located in Reston, Virginia where we currently lease approximately 47,000 square feet of space under lease agreements that expire during the year ended December 31, 2027. We maintain additional offices throughout the United States and various international locations, including, but not limited to, Australia, Dubai, Germany, India, Ireland, Japan, Singapore and the United Kingdom. We believe that our current facilities are adequate to meet our ongoing needs, and that, if we require additional space, we will be able to obtain additional facilities on commercially reasonable terms.

Item 3. Legal Proceedings

The information set forth under “Litigation” in Note 12 contained in the “Notes to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report on Form 10-K is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock, \$0.0001 par value per share, began trading on The NASDAQ Global Select Market on September 20, 2013, where its prices are quoted under the symbol "MNDT".

Holders of Record

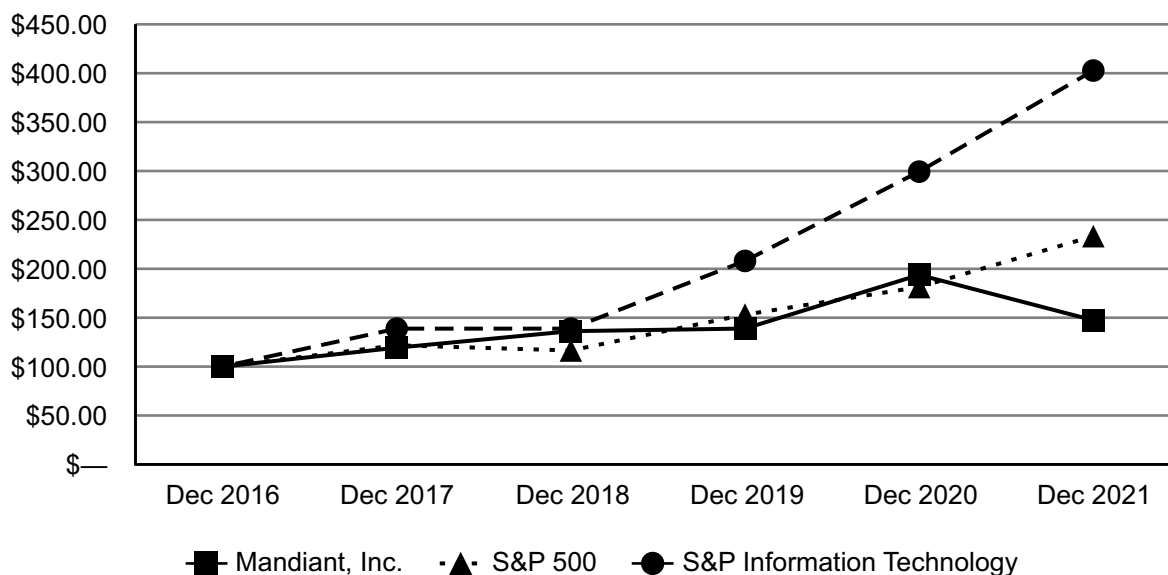
As of December 31, 2021, there were 102 holders of record of our common stock. Because many of our shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Stock Performance Graph

The following performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended ("the Exchange Act"), except as shall be expressly set forth by specific reference in such filing.

The following graph compares the cumulative total return of our common stock with the total return for the Standard & Poor's 500 Index and the Standard & Poor's Information Technology Index from December 31, 2016 through December 31, 2021. The graph assumes that \$100 was invested on December 31, 2016 in our common stock, the Standard & Poor's 500 Index and the Standard & Poor's Information Technology Index, and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Mandiant, Inc., the S&P 500 Index and the S&P Information Technology Index



	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021
Mandiant, Inc.	\$100.00	\$119.33	\$136.22	\$138.91	\$193.78	\$147.39
S&P 500	\$100.00	\$121.83	\$116.49	\$153.17	\$181.35	\$233.41
S&P Information Technology	\$100.00	\$138.83	\$138.43	\$208.05	\$299.37	\$402.73

Dividend Policy

We have never declared or paid, and do not anticipate declaring or paying in the foreseeable future, any cash dividends on our capital stock. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors, subject to applicable laws, and will depend on then existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities during the period covered by this Annual Report on Form 10-K, other than those previously reported in a Quarterly Report on Form 10-Q or in a Current Report on Form 8-K.

Issuer Purchases of Equity Securities

The following table summarizes stock repurchases during the three months ended December 31, 2021 (in thousands, except per share amounts):

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs ⁽¹⁾	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs ⁽¹⁾
October 1, 2021 – October 31, 2021	—	—	—	
November 1, 2021 – November 30, 2021	4,291	\$17.81	4,291	
December 1, 2021 – December 31, 2021	7,235	17.05	7,235	\$200,000
Total	<u>11,526</u>		<u>11,526</u>	

- (1) On June 2, 2021, we announced a stock repurchase program for the repurchase of up to \$500 million of our common stock. There is no expiration date on this authorization and we may suspend, amend or discontinue the repurchase program at any time.

Securities Authorized for Issuance Under Equity Compensation Plans

See Part III, Item 12 of this Annual Report on Form 10-K regarding information about securities authorized for issuance under our equity compensation plans.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. The following discussion focuses on our 2021 and 2020 financial condition and results of operations, including comparisons of the years ended December 31, 2021 and 2020. For discussion and analysis related to our financial condition and results of operations for fiscal year 2019, including comparisons of the years ended December 31, 2020 and 2019, refer to Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for fiscal year 2020, which was filed with the Securities and Exchange Commission on February 26, 2021.

In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those contained in or implied by any forward-looking statements. Factors that could cause or contribute to these differences include those under "Risk Factors" included in Part I, Item 1A or in other parts of this Annual Report on Form 10-K.

Overview

We provide a broad portfolio of cybersecurity solutions and services that allow organizations to prepare for, prevent, respond to, investigate and remediate cyber-attacks. Our portfolio includes threat intelligence, security validation, attack surface management and automated alert investigation integrated in the Mandiant Advantage platform, managed services and consulting services.

On October 8, 2021, we completed the previously announced sale of the FireEye Products business to Magenta Buyer LLC (“Trellix”), which is backed by a consortium led by Symphony Technology Group, in exchange for total cash consideration of \$1.2 billion, subject to certain purchase price adjustments, and assumption of certain liabilities of the FireEye Products business as specified in the Purchase Agreement, as amended by an Amendment to the Asset Purchase Agreement entered into on October 8, 2021. As a result, all periods presented in our consolidated financial statements and other portions of this Annual Report on Form 10-K have been conformed to present the FireEye Products business as discontinued operations and the related assets and liabilities were classified as held for sale for all comparative periods presented.

In March 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a global pandemic. The pandemic has impacted, and could further impact, our operations and the operations of our customers as a result of quarantines, various local, state and federal government public health orders, facility and business closures, supply chain shortages, vaccination mandates, and travel and logistics restrictions. With our COVID-19 safety plans, work-from-home and return-to-office policies and restricted employee travel to essential, business-critical trips, we were able to maintain strong customer relationships and deliver our technology-enabled managed and professional services to customers without interruption. As a result, we did not incur significant disruptions to our operations during the year ended December 31, 2021 due to the pandemic.

In January 2022, the U.S. Supreme Court struck down the U.S. Department of Labor’s Occupational Safety and Health Administration (“OSHA”) Emergency Temporary Standard (the “ETS”) requiring that all employers with at least 100 employees ensure that their U.S. employees are fully vaccinated for COVID-19. Following that ruling, OSHA chose to withdraw the vaccine ETS altogether. In addition, the federal district court in Georgia stayed the enforcement of the mandatory employee COVID-19 vaccination requirement found in President Biden’s Executive Order for U.S. government contractors and their subcontractors (the “Executive Order”). As a result, we revised our COVID-19 policy to only require COVID-19 vaccination for employees or visitors that will be entering any of Mandiant’s U.S. office locations. We are also complying with the other aspects of the Executive Order for federal government contractors at our covered contractor workplaces that have not been stayed by the federal courts. Our implementation and enforcement of vaccination requirements could be difficult, costly, and potentially result in employee attrition, including attrition of key employees, disruptions in workforce performance, and difficulty securing future labor needs, any of which could have a material adverse effect on our business, financial condition, and results of operations.

We anticipate governments and businesses may take additional actions or extend existing actions to respond to the risks of the COVID-19 pandemic. We continue to actively monitor the impacts and potential impacts of the COVID-19 pandemic in all aspects of our business. Although we are unable to predict the impact of the COVID-19 pandemic, including any recurrence of the virus or its variants, on our business, results of operations, liquidity or capital resources at this time, we expect we may be negatively affected if the pandemic and related public health measures further result in substantial manufacturing or supply chain problems, disruptions in local and global economies, volatility in the global financial markets, overall reductions in demand, delays in payment, or other ramifications from the COVID-19 pandemic. For a further discussion of the uncertainties and business risks associated with the COVID-19 pandemic, see the section entitled “Risk Factors” in Part I, Item 1A of this Annual Report on Form 10-K.

Our Business Model

We generate revenue from Mandiant Solutions. Pursuant to our agreement to sell the FireEye Products business to a consortium led by STG, the revenue from FireEye Products has been included within discontinued operations in our consolidated financial statements for all periods presented. We disaggregate our revenue from Mandiant Solutions into two main categories: (i) platform, cloud subscription and managed

services and (ii) professional services. For the years ended December 31, 2021, 2020 and 2019, platform, cloud subscription and managed services revenue as a percentage of total revenue was 49%, 50% and 49%, respectively. Revenue from professional services was 51%, 50% and 51% of total revenue for December 31, 2021, 2020 and 2019, respectively.

Platform, cloud subscription and managed services

The majority of our platform, cloud subscription and managed services revenue is generated from sales of subscriptions to our Mandiant Advantage platform and modules (including Security Validation, Threat Intelligence and Automated Defense and Attack Surface Management) and managed services that are delivered through the cloud. A majority of the revenue in this category is recognized ratably over the contractual term, generally one to three years.

While our threat intelligence and automated defense modules are only available through the cloud, a portion of our revenue in the platform, cloud subscription and managed services category is derived from term licenses of our Security Validation module deployed on premise, and revenue from these sales is recognized when the license key is issued to the customer. Revenue from the sale of our on-premise Security Validation term licenses continues to decline as we encourage our new and existing customers to migrate their solution to the cloud-based Mandiant Advantage platform for greater flexibility and integration with our Threat Intelligence Attack Surface Management and Automated Defense modules. An increasing number of new Security Validation customers are purchasing subscriptions for the cloud-based Mandiant Advantage Security Validation module, and we expect an increasing number of Security Validation customers to renew on the cloud-based Mandiant Advantage module. Deferred revenue from our platform, cloud subscription and managed services totaled \$271.0 million and \$182.8 million as of December 31, 2021 and 2020, respectively.

Professional Services

In addition to our platform, cloud subscription and managed services, we offer professional services, including incident response and other strategic security consulting services, to our customers who have experienced a cybersecurity breach or desire assistance assessing and increasing the resilience of their IT environments to cyber-attack. The majority of our professional services are offered on a time and materials basis, through a fixed fee arrangement, or on a retainer basis. Revenue from professional services is recognized as services are delivered. Revenue from our Expertise On Demand subscription and some pre-paid professional services is deferred, and revenue is recognized when services are delivered. Deferred revenue from professional services as of December 31, 2021 and 2020 was \$139.3 million and \$101.5 million, respectively.

Discontinued Operations

Revenue from discontinued operations was generated primarily from sales of network, email, endpoint security, Helix SIEM and Cloudvisory solutions deployed on a customer's premises, either as an integrated security appliance or a distributed hybrid on-premise/private cloud configurations. As a single performance obligation, revenue from sales of appliance hardware and related subscriptions was recognized ratably over the contractual term, typically one to three years. Such contracts typically contained a material right of renewal option that allows the customer to renew their Dynamic Threat Intelligence ("DTI") cloud and support subscriptions for an additional term at a discount to the original purchase price of the single performance obligation. For contracts that contained a material right of renewal option, the value of the performance obligation allocated to the renewal was recognized ratably over the period between the end of the initial contractual term and end of the estimated useful life of the related appliance and license. A small portion of our revenue in the product and related subscription and support revenue related to discontinued operations was derived from the sale of our network forensics appliances and our central management system appliances. These appliances were not dependent on regular security intelligence updates, and revenue from these appliances was therefore recognized when ownership was transferred to our customer, typically at shipment.

Key Business Metrics

We monitor our key business metrics set forth below to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts, and assess operational efficiencies. We discuss

revenue and gross margin below under “Components of Operating Results.” Deferred revenue, annualized recurring revenue, billings (a non-GAAP metric), net cash flow used in operating activities, and free cash flow (a non-GAAP metric) are discussed immediately below the following table (in thousands, except percentages).

	Year Ended or as of December 31,		
	2021	2020	2019
Platform, cloud subscription and managed services revenue	\$235,077	\$ 198,695	\$ 163,583
Professional services revenue	248,378	201,014	167,787
Total revenue	<u>\$483,455</u>	<u>\$ 399,709</u>	<u>\$ 331,370</u>
Year-over-year percentage increase	21%	21%	25%
Gross margin percentage	47%	44%	40%
Deferred revenue (current and non-current)	\$410,328	\$ 284,253	\$ 273,241
Annualized recurring revenue	\$278,819	\$ 226,451	\$ 196,014
Billings (non-GAAP)	\$609,530	\$ 408,057	\$ 369,879
Net cash used in operating activities – continuing operations	\$(62,389)	\$(100,409)	\$(120,786)
Net cash provided by operating activities – discontinued operations . .	<u>\$124,345</u>	<u>\$ 195,304</u>	<u>\$ 188,323</u>
Net cash provided by operating activities	<u>\$ 61,956</u>	<u>\$ 94,895</u>	<u>\$ 67,537</u>
Free cash flow (non-GAAP) (continuing operations)	<u>\$ (87,925)</u>	<u>\$ (118,337)</u>	<u>\$ (150,135)</u>

Deferred revenue. Our deferred revenue consists of amounts that we have the right to invoice but have not yet been recognized into revenue as of the end of the respective period. We monitor our deferred revenue balance because it represents a significant portion of revenue to be recognized in future periods. The majority of our deferred revenue consists of the unamortized balance of deferred revenue from previously invoiced sales of our security validation platforms, threat intelligence, consulting services and managed detection and response services and excludes deferred revenue from discontinued operations included in liabilities held for sale. Invoiced amounts for such contracts can be for multiple years, and we classify our deferred revenue as current or non-current depending on when we expect to recognize the related revenue. If the deferred revenue is expected to be recognized within 12 months it is classified as current, otherwise, the deferred revenue is classified as non-current. A table for our deferred revenue is provided below (in thousands):

	As of December 31,	
	2021	2020
Deferred revenue, current	\$307,611	\$226,356
Deferred revenue, non-current	102,717	57,897
Total deferred revenue	<u>\$410,328</u>	<u>\$284,253</u>

Annualized recurring revenue. Annualized recurring revenue (“ARR”) is an operating metric and represents the annualized revenue run-rate of active term licenses, subscriptions, managed services and support contracts at the end of a reporting period. ARR should be viewed independently of revenue and deferred revenue as ARR is an operating metric and is not intended to be combined with or replace revenue or deferred revenue. ARR is not a forecast of future revenue, which can be impacted by contract start and end dates and renewal rates, and does not include revenue from consumption-based contracts or professional services except for service level agreement payments. We consider ARR a useful measure of the value of the recurring components of our business because it reflects both our ability to attract new customers for our solutions and our success at retaining and expanding our relationships with existing customers. Further, ARR is not impacted by variations in contract length, enabling more meaningful comparison to prior periods as we align our invoicing practices to growing customer preference for annual billing on multi-year contracts. We started including ARR from service level agreement payments in our ARR calculation starting in 2020 once they became material. ARR calculations for 2019 have been updated for comparative purposes. A table for our ARR is provided below (in thousands):

	As of December 31,		
	2021	2020	2019
Platform, cloud subscription and managed services	\$268,662	\$219,811	\$191,477
Professional services	10,157	6,641	4,537
Total annualized recurring revenue	<u>\$278,819</u>	<u>\$226,452</u>	<u>\$196,014</u>

Billings. Billings are a non-GAAP financial metric that we define as revenue recognized in accordance with generally accepted accounting principles (“GAAP”) plus the change in deferred revenue from the beginning to the end of the period, excluding deferred revenue assumed through acquisitions. We monitor billings as a supplement to revenue (the corresponding GAAP measure), because billings impact our deferred revenue, which is an important indicator of the health and visibility of trends in our business and represents a significant percentage of future revenue. However, it is important to note that other companies, including companies in our industry, may not use billings, may define billings differently, may have different billing frequencies, or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of billings as a comparative measure. Additionally, the calculated billings metric represents the total contract value we have the right to invoice, which includes multi-year subscriptions to our solutions as well as commitments for future service engagements. Calculated billings are impacted by changes in average contract length, thereby reducing the usefulness of comparisons to prior periods. Unlike subscription revenue, which is recognized ratably over a contract term, services revenue is recognized when services are delivered, making calculated services billings less useful as a measure of current business activity.

A reconciliation of billings to revenue, the most directly comparable financial measure calculated and presented in accordance with GAAP, is provided below (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Revenue	\$ 483,455	\$ 399,709	\$ 331,370
Add: Deferred revenue, end of period	410,328	284,253	273,241
Less: Deferred revenue, beginning of period	(284,253)	(273,241)	(231,982)
Less: Deferred revenue assumed through acquisitions	—	(2,664)	(2,750)
Billings (non-GAAP)	<u>\$ 609,530</u>	<u>\$ 408,057</u>	<u>\$ 369,879</u>

We have provided disaggregation of billings below (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Platform, cloud subscription and managed services	\$323,319	\$195,357	\$175,870
Professional services	286,211	212,700	194,009
Billings (non-GAAP)	<u>\$609,530</u>	<u>\$408,057</u>	<u>\$369,879</u>

Net cash provided by operating activities — continuing operations. We monitor net cash provided by operating activities as a measure of our overall business performance. Our net cash provided by operating activities performance is driven in large part by sales of our offerings in the platform, cloud subscription, managed services category and professional services and from up-front payments for both subscriptions and services. Monitoring net cash used in operating activities enables us to analyze our financial performance without the non-cash effects of certain items, such as depreciation, amortization and stock-based compensation costs, thereby allowing us to better understand and manage the cash needs of our business.

Free cash flow. Free cash flow is a non-GAAP financial measure we define as net cash used in operating activities, the most directly comparable GAAP financial measure, less purchases of property and equipment. We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by our business that, after the purchases of property and equipment, can be used by us for strategic opportunities, including investing in our business, making strategic acquisitions, debt repayment, strengthening our balance sheet and share repurchases. However, it is important

to note that other companies, including companies in our industry, may not use free cash flow, may calculate free cash flow differently, or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of free cash flow as a comparative measure. A reconciliation of free cash flow to cash flow used in operating activities is provided below (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Net cash used in operating activities – continuing operations	\$ (62,389)	\$ (100,409)	\$ (120,786)
Less: purchase of property and equipment	(25,536)	(17,928)	(29,349)
Free cash flow (non-GAAP) – continuing operations	<u>\$ (87,925)</u>	<u>\$ (118,337)</u>	<u>\$ (150,135)</u>
Net cash provided by (used in) investing activities – continuing operations	<u>\$ 705,752</u>	<u>\$ (22,291)</u>	<u>\$ (105,276)</u>
Net cash provided by (used in) financing activities – continuing operations	<u>\$ (273,393)</u>	<u>\$ 319,114</u>	<u>\$ 26,273</u>

Factors Affecting our Performance

Market Adoption. We rely on market education to raise awareness of today’s cyber-attacks and articulate the need for our solutions and services. Although our security validation and automated defense solutions address significant challenges experienced by customers when implementing effective cybersecurity safeguards — challenges that include an expanding attack surface from remote workers and digital transformation, proliferation of nation state-sponsored attackers, and an acute shortage of cybersecurity talent — the markets for these solutions are in the early stages of development. As a result, our prospective customers may not have a specific portion of their IT budgets allocated for our advanced security solutions.

We invest heavily in sales and marketing efforts to increase market awareness, educate prospective customers and drive adoption of our solutions and services. Additionally, our consultants use our technology in their engagements, allowing customers to witness the features and capabilities of their IT environments. This market education is critical to creating new IT budget dollars or allocating more of existing IT budget dollars to cybersecurity in general and specifically our security validation and security automation solutions. The degree to which prospective customers recognize the mission critical need for our solutions will drive our ability to acquire new customers and increase renewals and follow-on sales opportunities, which, in turn, will affect our future financial performance.

Sales Productivity. Our sales organization consists of in-house sales teams who work in collaboration with external channel partners to identify new sales prospects, sell additional products, subscriptions and services, and provide post-sale support. Our direct sales teams are organized by territory to target large enterprise and government customers who typically have sales cycles that can last several months or more. We have also expanded our inside sales teams to work with channel partners to expand our customer base of small and medium enterprises, or SMEs, as well as manage renewals of subscription and support contracts.

Newly hired sales and marketing employees typically require several months to establish prospect relationships and achieve full sales productivity. In addition, although we believe our investments in market education have increased awareness of us and our solutions globally, sales teams in certain international markets may face local markets with limited awareness of us and our solutions, or have customer-specific requirements that are not available with our solutions. These factors will influence the timing and overall levels of sales productivity, impacting the rate at which we will be able to convert prospects to sales and drive revenue growth.

Customer Acquisition and Retention. Since we expect that our existing customers are likely to expand their deployments and purchase additional solutions from us over time, we believe new customer acquisition and retention thereafter of existing customers is essential to expanding the value of our installed base, which we monitor through our key business metrics, including annualized recurring revenue. We believe our ability to maintain strong customer retention and drive new customer acquisition will have a material impact on future sales of our security solutions and services and therefore our future financial performance.

Follow-On Sales. To grow our revenue, it is important that our customers make additional purchases of our solutions and services. After the initial sale to a new customer, we focus on expanding our relationship with the customer to sell additional modules available on the Mandiant Advantage platform as well as add additional services. Sales to our existing customer base can take the form of incremental sales of our solutions, managed services, and consulting services either to expand their deployment of our technologies, to extend their internal security resources with our managed and professional security services, or to continuously measure the effectiveness of their security controls. Our opportunity to expand our customer relationships through follow-on sales will increase as we demonstrate the utility of our solutions, broaden our security solutions portfolio with additional subscriptions and services and enhance the functionality of our existing solutions. Follow-on sales lead to increased revenue over the lifecycle of a customer relationship and can significantly increase the return on our sales and marketing investments. With many of our large enterprise and government customers, we have realized follow-on sales that were multiples of the value of their initial purchases.

Components of Operating Results

As a result of the sale of the FireEye Products business, all periods presented in this Form 10-K have been conformed to present the FireEye Products business as discontinued operations. We report the financial results of discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. The results of operations and cash flows of a discontinued operation are restated for all comparative periods presented. Refer to Note 2, “Discontinued Operations,” to our consolidated financial statements for further information.

Revenue

We generate revenue from the sales of our Mandiant solutions and services. Revenue is recognized when a contract has been entered into with a customer, the performance obligation(s) is (are) identified, the transaction price is determined and has been allocated to the performance obligation(s) and only then for each performance obligation after we have satisfied that performance obligation.

- *Platform, cloud subscription and managed services revenue.* The majority of our platform, cloud subscription and managed services revenue is generated from sales of subscriptions to our Mandiant Advantage platform and modules (security validation, threat intelligence, and automated defense) and to our managed services that are delivered through the cloud and is recognized over the term of the contract. A small portion of our revenue in the platform, cloud subscription and managed services category is derived from sales of on premise term licenses to our security validation platform, and revenue from these sales is recognized when the license key is issued to the customer.
- *Consulting services revenue.* Consulting services, which includes incident response, security assessments, and other strategic security consulting services, are offered on a time-and-material basis, through a fixed fee arrangement, or on a retainer basis. We recognize the associated revenue as the services are delivered. Some consulting services and our expertise-on-demand subscription are prepaid, and revenue is deferred until services are delivered.

Cost of Revenue

Our total cost of revenue consists of cost of cloud and managed service revenue and cost of consulting services revenue.

- *Cost of platform, cloud subscription and managed services revenue.* Cost of platform, cloud subscription and managed services revenue primarily consists of personnel costs associated with maintaining our threat intelligence and delivering our managed services, hosting costs paid to third party cloud platform providers, and allocated overhead costs. Personnel costs associated with maintaining our threat intelligence and delivering our managed services consist of salaries, benefits, bonuses and stock-based compensation. Overhead costs consist of certain facilities, depreciation and information technology costs. If revenue from sales of our cloud and managed services declines, the cost of platform, cloud subscription and managed services revenue may increase as a percentage of cloud and managed services revenue due to the fixed nature of a portion of these costs.

- *Cost of consulting services revenue.* Cost of consulting services revenue primarily consists of personnel costs for our services organization and allocated overhead costs. If sales of our consulting services decline or we are unable to maintain our chargeability or billing rates, our cost of consulting services revenue may increase as a percentage of consulting services revenue.

Gross Margin

Gross margin, or gross profit as a percentage of revenue, has been and will continue to be affected by a variety of factors, including the mix between platform, cloud subscription and managed services and professional services revenue, the mix of incident response and other strategic security consulting, and the amount of reimbursable travel expenses. We expect our gross margins to fluctuate slightly depending on these factors, but increase over time with expected growth and higher mix of platform, cloud subscription and managed services revenue compared to professional services revenue.

Although FireEye products revenue is included in discontinued operations, indirect overhead costs are not allocated to the discontinued operations as they are not direct costs of the FireEye Product business, resulting in a decrease in gross margins.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing and general and administrative expenses. Personnel costs are the most significant component of operating expenses and consist of salaries, benefits, bonuses, stock-based compensation and, with regard to sales and marketing expense, sales commissions. Operating expenses also include allocated overhead costs consisting of certain facilities, depreciation and information technology costs.

Operating expenses for continuing operations include the full cost of resources shared by Mandiant solutions and FireEye Products. Following the completion of the divestiture, we are being reimbursed for the cost of shared resources associated with supporting the FireEye Products business under the Transition Services Agreement (“TSA”).

- *Research and development.* Research and development expense consists primarily of personnel costs and allocated overhead. Research and development expense also includes certain costs associated with delivering our threat intelligence through our Mandiant Advantage platform that were included in cost of goods sold before the Mandiant Advantage platform became generally available. We expect research and development expense to increase in terms of absolute dollars and decrease slightly as a percentage of total revenue.
- *Sales and marketing.* Sales and marketing expense consists primarily of personnel costs, incentive commission costs and allocated overhead. Commission costs are capitalized and amortized over the expected period of benefit, taking into consideration the pattern of transfer to which the asset relates and the expected renewal period. When commissions paid for initial contracts are higher than those paid for renewal contracts, the initial commissions are not commensurate and as such, are recognized over the expected period of benefit, which we generally estimate to be three years. Renewal commissions are generally amortized over the renewal period.

Sales and marketing expense also includes costs for market development programs, promotional and other marketing activities, travel, and outside consulting costs. These costs are recognized as incurred. We expect sales and marketing expense to increase in absolute dollars and remain relatively constant as a percentage of total revenue.

- *General and administrative.* General and administrative expense consists of personnel costs, professional service costs and allocated overhead. General and administrative personnel include our executive, finance, human resources, facilities and legal organizations. Professional service costs consist primarily of legal, auditing, accounting and other consulting costs. We expect general and administrative expense to decrease in terms of absolute dollars and decrease as a percentage of total revenue after the divestiture of FireEye Product business and the cost of shared resources associated with FireEye Product business is reimbursed under the TSA.

- **Restructuring Charges.** In the fiscal years 2021 and 2020, we implemented restructuring plans designed to align our resources with the strategic initiatives of the business. These restructuring plans resulted in a reduction of our total workforce as well as the exiting and downsizing of certain real estate facilities, including the decommissioning of our Milpitas, California office space and relocation of our corporate headquarters to Reston, Virginia, and the impairment of certain assets. The expenses incurred primarily consisted of employee severance charges and other termination benefits, as well as real estate and related fixed asset charges for the consolidation or exiting of certain leased facilities.

Interest Income

Interest income consists of interest earned on our cash and cash equivalent and investment balances. We have historically invested our cash in money-market funds and other short-term, high quality securities. We expect interest income to vary each reporting period depending on our average cash and cash equivalent and investment balances during the respective reporting periods, types and mix of investments and market interest rates.

Interest Expense

Interest expense consists primarily of interest at the stated rate (coupon) and amortization of discounts and issuance costs relating to our convertible notes. We expect interest expense to decrease as a result of the expected repurchase of our Series B Notes in June of 2022 as well as due to the adoption of ASU No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity in 2022 as described in Note 1 to the accompanying consolidated financial statements.

Other Income (Expense), Net

Other income (expense), net includes gains or losses from the sale of discontinued operations, gains or losses on the disposal of fixed assets, gains or losses from our equity-method investment, gains or losses on the extinguishment of convertible notes, foreign currency re-measurement gains and losses and foreign currency transaction gains and losses. We expect other income (expense), net to fluctuate primarily as a result of foreign exchange rate movements.

Provision for (Benefit from) Income Taxes

Provision for (benefit from) income taxes relates primarily to income taxes payable in foreign jurisdictions where we conduct business, withholding taxes, and state income taxes in the United States. The provision is offset by tax benefits primarily related to the reversal of valuation allowances previously established against our deferred tax assets. Should the tax benefits exceed the provision, then a net tax benefit from income taxes is reflected for the period. Income in certain countries may be taxed at statutory tax rates that are lower than the U.S. statutory tax rate. As a result, our overall effective tax rate over the long-term may be lower than the U.S. federal statutory tax rate due to net income being subject to foreign income tax rates that are lower than the U.S. federal statutory rate.

Net Income (Loss) from Discontinued Operations

As more fully described in Note 2 to the accompanying consolidated financial statements, on October 8, 2021, we completed the sale of FireEye Products business and received approximately \$1.2 billion in cash. As a result, the historical results of operations for the FireEye Products business have been included within discontinued operations in our consolidated financial statements.

Results of Operations

The following tables summarize our results of operations for the periods presented and as a percentage of our total revenue for those periods. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Revenue:			
Platform, cloud subscription and managed services	\$ 235,077	\$ 198,695	\$ 163,583
Professional services	248,378	201,014	167,787
Total revenue	483,455	399,709	331,370
Cost of revenue:			
Platform, cloud subscription and managed services	111,915	107,872	101,793
Professional services	142,477	117,645	98,512
Total cost of revenue	254,392	225,517	200,305
Total gross profit	229,063	174,192	131,065
Operating expenses:			
Research and development	166,893	122,045	103,063
Sales and marketing	262,643	224,357	237,077
General and administrative	121,134	106,347	119,435
Restructuring charges	34,576	21,084	10,264
Total operating expenses	585,246	473,833	469,839
Operating loss	(356,183)	(299,641)	(338,774)
Interest income	5,419	11,325	22,017
Interest expense	(59,333)	(60,066)	(61,927)
Other expense, net	1,378	(496)	(1,775)
Loss before income taxes from continuing operations	(408,719)	(348,878)	(380,459)
Provision (benefit) for income taxes	3,381	460	(17,539)
Loss from continuing operations	(412,100)	(349,338)	(362,920)
Net income from discontinued operations, net of income taxes	1,328,241	142,037	105,511
Net income (loss)	<u>\$ 916,141</u>	<u>\$(207,301)</u>	<u>\$(257,409)</u>

	Year Ended December 31,		
	2021	2020	2019
	(Percent of total revenue)		
Revenue:			
Product, subscription and support	49%	50%	49%
Professional services	51	50	51
Total revenue	100	100	100
Cost of revenue:			
Product, subscription and support	23	27	30
Professional services	29	29	30
Total cost of revenue	52	56	60
Total gross profit	48	44	40
Operating expenses:			
Research and development	35	31	31
Sales and marketing	54	56	72
General and administrative	25	27	36
Restructuring charges	7	5	3
Total operating expenses	121	119	142
Operating loss	(73)	(75)	(102)
Interest income	1	3	7
Interest expense	(12)	(15)	(19)
Other expense, net	—	—	(1)
Loss before income taxes	(84)	(87)	(115)
Provision (benefit) for income taxes	1	—	(5)
Loss from continuing operations	(85)	(87)	(110)
Net income from discontinued operations, net of income taxes	275	35	32
Net income (loss)	190%	(52)%	(78)%

Comparison of the Years Ended December 31, 2021 and 2020

Revenue

	Year Ended December 31,					
	2021		2020		Change	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	%
(Dollars in thousands)						
Revenue:						
Platform, cloud subscription and managed services	\$235,077	49%	\$198,695	50%	\$36,382	18%
Professional services	248,378	51	201,014	50	47,364	24
Total revenue	<u>\$483,455</u>	<u>100%</u>	<u>\$399,709</u>	<u>100%</u>	<u>\$83,746</u>	<u>21</u>
Revenue by geographic region:						
United States	\$331,301	69%	\$280,888	70%	\$50,413	18%
EMEA	66,424	14	51,249	13	15,175	30
APAC	49,518	10	36,615	9	12,903	35
Other	36,212	7	30,957	8	5,255	17
Total revenue	<u>\$483,455</u>	<u>100%</u>	<u>\$399,709</u>	<u>100%</u>	<u>\$83,746</u>	<u>21</u>

Platform, cloud subscription and managed services revenue increased by \$36.4 million, or 18%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase in platform, cloud subscription and managed services revenue reflected increased recognition of deferred revenue associated with sales of our threat intelligence and security validation modules of the Mandiant Advantage platform and our Managed Defense managed security services.

Professional services revenue increased by \$47.4 million, or 24%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was primarily driven by an increase in number of engagements enabled by an increase in professional services personnel and an increase in mix of incident response services with higher rates per hour as compared to the same period in 2020.

Our international revenue increased \$33.3 million, or 28%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase reflects growth in sales of our platform, cloud subscription and managed services and an increase in the number of professional services engagements in certain international regions compared to prior periods.

Cost of Revenue and Gross Margin

	Year Ended December 31,					
	2021		2020		Change	
	Amount	Gross Margin	Amount	Gross Margin	Amount	%
(Dollars in thousands)						
Cost of revenue:						
Platform, cloud subscription and managed services	\$111,915		\$107,872		\$ 4,043	4%
Professional services	142,477		117,645		24,832	21
Total cost of revenue	<u>\$254,392</u>		<u>\$225,517</u>		<u>\$28,875</u>	<u>13</u>
Gross margin:						
Platform, cloud subscription and managed services		52%		46%		
Professional services		43		41		
Total gross margin		<u>47%</u>		<u>44%</u>		

The cost of platform, cloud subscription and managed services revenue increased \$4.0 million, or 4%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase in cost of platform, cloud subscription and managed services revenue was primarily due to an increase of \$9.0 million in payroll costs due to an increase in headcount, an increase of \$3.2 million pertaining to hosting services, an increase of \$3.0 million in stock-based compensation expense and an increase of \$2.5 million in amortization of intangibles, partially offset by a \$13.7 million decrease in shared services, such as facility and IT support costs from our restructuring and cost optimization plans.

The cost of professional services revenue increased by \$24.8 million, or 21%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase in professional services revenue was primarily due to an increase of \$20.5 million in employee costs due to an increase in headcount, an increase of \$7.2 million in stock-based compensation expense and an increase of \$1.5 million in consulting and temporary staffing, partially offset by a \$5.7 million decrease in shared services.

Gross profit margin increased by 3% as a percentage of revenue for the year ended December 31, 2021 compared to the year ended December 31, 2020. Platform, cloud subscription and managed services gross profit margin increased by 8% compared to the same period in 2020, primarily due to continued efforts to reduce overhead expenses as well as changing the method of delivery of intelligence and reports to be at scale rather than individualized customer delivery. Professional services gross margin increased 2% compared to the same period in 2020.

Operating Expenses

	Year Ended December 31,					
	2021		2020		Change	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	%
(Dollars in thousands)						
Operating expenses:						
Research and development	\$166,893	35%	\$122,045	31%	\$ 44,848	37%
Sales and marketing	262,643	54	224,357	56	38,286	17
General and administrative	121,134	25	106,347	27	14,787	14
Restructuring	34,576	7	21,084	5	13,492	64
Total operating expenses	<u>\$585,246</u>	<u>121%</u>	<u>\$473,833</u>	<u>119%</u>	<u>\$111,413</u>	<u>24</u>
Includes stock-based compensation expense of:						
Research and development	\$ 36,535		\$ 23,943			
Sales and marketing	42,161		36,428			
General and administrative	34,676		25,176			
Restructuring	40		314			
Total	<u>\$113,412</u>		<u>\$ 85,861</u>			

Research and Development

Research and development expense increased \$44.8 million, or 37%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was primarily due an increase of \$14.7 million in shared services, such as facility and IT support costs, a \$12.6 million increase in stock-based compensation expense, a \$12.0 million increase in employee costs due to an increase in headcount and bonuses and a \$1.8 million increase in hosting services, partially offset by a \$1.7 million increase in the amount of costs capitalized for internally developed software.

Sales and Marketing

Sales and marketing expense increased by \$38.3 million, or 17%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was primarily due to a \$14.3 million increase in commission costs and employee costs due to an increase in headcount, a \$14.1 million increase in marketing programs, an increase of \$5.7 million in stock-based compensation expense, a \$2.9 million increase in shared services and a \$2.0 million increase in consulting and professional services, partially offset by a \$1.5 million decrease in various other expenses.

General and Administrative

General and administrative expense increased by \$14.8 million, or 14%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was primarily due to a \$9.5 million increase in stock-based compensation expense, a \$7.3 million increase in professional services, consulting and temporary staffing costs and a \$2.5 million increase in employee costs, partially offset by \$3.9 million of decreases in various other expenses and a \$0.6 million decrease in shared services.

Restructuring Charges

During the year ended December 31, 2021, we incurred restructuring charges of approximately \$34.6 million, which includes \$6.6 million of cash charges primarily consisting of \$6.9 million in provision for restructuring charges and \$0.3 million in other adjustments. In addition, there are non-cash charges of \$27.7 million related to fixed asset and right-of-use asset write-offs and stock-based compensation. These

charges primarily related to the decommissioning of our Milpitas, California office space and relocation of our corporate headquarters to Reston, Virginia.

During the year ended December 31, 2020, we incurred restructuring charges of approximately \$21.1 million, which primarily related to employee severance charges and other termination benefits as well as certain facilities exit costs for other outside services under our 2020 restructuring plans.

Interest Income

	Year Ended December 31,		Change	
	2021	2020	Amount	%
	(Dollars in thousands)			
Interest income	\$5,419	\$11,325	\$(5,906)	(52)%

Interest income decreased for the year ended December 31, 2021 compared to the year ended December 31, 2020, primarily due to a lower rate of return on balances in our cash and cash equivalents and investments, which was a direct result of the overall lower interest rate environment and our limited duration investment portfolio.

Interest Expense

	Year Ended December 31,		Change	
	2021	2020	Amount	%
	(Dollars in thousands)			
Interest expense	(59,333)	(60,066)	\$733	(1)%

Interest expense for the year ended December 31, 2021 decreased compared to the year ended December 31, 2020, primarily due to the repurchase of a portion of our convertible notes in June 2020.

Other Expense, Net

	Year Ended December 31,		Change	
	2021	2020	Amount	%
	(Dollars in thousands)			
Other income (expense), net	1,378	(496)	\$1,874	378%

Other income (expense), net, for the year ended December 31, 2021 increased primarily due to the gain from the sale of the FireEye Products business and subsequent billing of services under the TSA. Additionally, foreign currency transaction gains and losses improved compared to the year ended December 31, 2020.

Provision for Income Taxes

	Year Ended December 31,	
	2021	2020
	(Dollars in thousands)	
Provision for income taxes	\$3,381	\$460
Effective tax rate	(0.8)%	(0.1)%

The provision for income taxes increased for the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase in the provision for income taxes for the year ended December 31, 2021 was primarily due to higher foreign taxes and decreased tax benefits from business combinations as compared to the year ended December 31, 2020. Due to cumulative losses, we maintain a full valuation allowance on all of our U.S. and certain foreign deferred tax assets. The tax expense for the years ended December 31, 2021 and 2020 was primarily comprised of income taxes in foreign jurisdictions and withholding taxes.

Discontinued Operations

	Year Ended December 31,		Change	
	2021	2020	Amount	%
(Dollars in thousands)				
Net income from discontinued operations	\$1,328,241	\$142,037	\$1,186,204	835%

On October 8, 2021, we completed the sale of FireEye Products business and received approximately \$1.2 billion in cash. As a result, the historical results of operations for the FireEye Products business have been included within discontinued operations in our consolidated financial statements. See Note 2 to the accompanying consolidated financial statements for additional information.

Net income from discontinued operations increased during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was primarily due to a \$1.2 billion increase in income due to the gain on the divestiture of the FireEye Products business and an \$83.5 million decrease in expenses, partially offset by a \$131.2 million decrease in revenue.

Net income from discontinued operations for the year ended December 31, 2021 includes a \$1.2 billion gain from the sale of the FireEye Products business, net of tax and transaction cost.

Quarterly Results of Operations

The following unaudited quarterly statements of operations data for each of the eight quarters in the period ended December 31, 2021 and 2020 have been prepared on a basis consistent with our audited annual financial statements included in this Annual Report on Form 10-K and include, in our opinion, all normal recurring adjustments necessary for the fair presentation of the financial information contained in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future. The following quarterly financial data should be read in conjunction with our audited financial statements and the related notes included in this Annual Report on Form 10-K.

	Three Months Ended							
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
	(Dollars in thousands)							
Revenue:								
Platform, cloud subscription and managed services . . .	\$ 66,893	\$ 60,249	\$ 51,936	\$ 55,999	\$ 56,729	\$ 48,613	\$ 48,051	\$ 45,302
Professional services	65,994	61,721	61,974	58,689	53,544	51,439	49,179	46,852
Total revenue	132,887	121,970	113,910	114,688	110,273	100,052	97,230	92,154
Cost of revenue:								
Platform, cloud subscription and managed services . . .	28,334	28,725	28,243	26,613	28,084	27,431	26,497	25,860
Professional Services	38,343	36,380	35,282	32,472	32,144	29,660	27,049	28,792
Total cost of revenue . . .	66,677	65,105	63,525	59,085	60,228	57,091	53,546	54,652
Total gross profit	66,210	56,865	50,385	55,603	50,045	42,961	43,684	37,502
Operating expenses:								
Research and development	39,244	44,814	40,930	41,905	32,986	31,316	28,665	29,078
Sales and marketing	72,513	65,899	63,018	61,213	57,312	55,459	52,840	58,746
General and administrative	34,003	32,760	29,020	25,351	27,005	24,485	26,349	28,508
Restructuring charges . . .	32,649	—	1,927	—	1,487	822	12,558	6,217
Total operating expenses	178,409	143,473	134,895	128,469	118,790	112,082	120,412	122,549
Operating loss	(112,199)	(86,608)	(84,510)	(72,866)	(68,745)	(69,121)	(76,728)	(85,047)
Interest income	1,184	1,226	1,365	1,644	1,875	2,163	2,863	4,424
Interest expense	(15,044)	(14,903)	(14,762)	(14,624)	(14,511)	(14,353)	(15,356)	(15,846)
Other income (expense), net . .	1,742	(464)	(471)	571	455	156	(119)	(988)
Loss before income taxes from continuing operations	(124,317)	(100,749)	(98,378)	(85,275)	(80,926)	(81,155)	(89,340)	(97,457)
Provision (benefit) for income taxes	940	498	763	1,180	(1,004)	458	656	350
Loss from continuing operations	(125,257)	(101,247)	(99,141)	(86,455)	(79,922)	(81,613)	(89,996)	(97,807)
Net income from discontinued operations, net of income taxes	1,224,962	33,025	34,445	35,809	41,321	42,494	36,721	21,501
Net income (loss)	1,099,705	(68,222)	(64,696)	(50,646)	(38,601)	(39,119)	(53,275)	(76,306)
Dividend on series A convertible preferred stock . .	(4,666)	(4,613)	(4,563)	(4,512)	(1,050)	—	—	—
Accretion of series A convertible preferred stock . .	—	—	—	(82)	(4,653)	—	—	—
Net income (loss) attributable to common stockholders . . .	\$1,095,039	\$ (72,835)	\$ (69,259)	\$ (55,240)	\$ (44,304)	\$ (39,119)	\$ (53,275)	\$ (76,306)
Net income (loss) attributable to common stockholders, basic and diluted:								
Continuing operations	\$ (0.55)	\$ (0.45)	\$ (0.44)	\$ (0.39)	\$ (0.37)	\$ (0.36)	\$ (0.41)	\$ (0.45)
Discontinued operations . . .	5.18	0.14	0.15	0.15	0.18	0.19	0.17	0.10
Net income (loss) per share attributable to common stockholders, basic and diluted	\$ 4.63	\$ (0.31)	\$ (0.29)	\$ (0.24)	\$ (0.19)	\$ (0.17)	\$ (0.24)	\$ (0.35)
Weighted average shares used to compute Net income (loss) per share, basic and diluted	236,255	237,168	237,279	234,740	229,203	224,807	221,352	217,789

	Three Months Ended							
	December 31,	September 30,	June 30,	March 31,	December 31,	September 30,	June 30,	March 31,
	2021	2021	2021	2021	2020	2020	2020	2020
	(Percent of total revenue)							
Revenue:								
Platform, cloud subscription and managed services	50%	49%	46%	49%	51%	49%	49%	49%
Professional services	50	51	54	51	49	51	51	51
Total revenue	100	100	100	100	100	100	100	100
Cost of revenue:								
Platform, cloud subscription and managed services	21	24	25	23	26	27	27	28
Professional services	29	30	31	28	29	30	28	31
Total cost of revenue	50	54	56	51	55	57	55	59
Total gross profit	50	46	44	49	45	43	45	41
Operating expenses:								
Research and development	30	37	36	37	30	31	29	32
Sales and marketing	55	54	55	53	52	55	54	64
General and administrative	26	27	25	22	24	25	27	31
Restructuring charges	25	—	2	—	1	1	13	7
Total operating expenses	136	118	118	112	107	112	123	134
Operating loss	(87)	(72)	(74)	(63)	(62)	(69)	(78)	(93)
Interest income	1	1	1	1	2	2	3	5
Interest expense	(11)	(12)	(13)	(13)	(13)	(14)	(16)	(17)
Other income (expense), net . . .	1	—	—	—	—	—	—	(1)
Loss before income taxes from continuing operations	(96)	(83)	(86)	(75)	(73)	(81)	(91)	(106)
Provision (benefit) for income taxes	1	—	1	1	(1)	—	1	—
Loss from continuing operations	(97)	(83)	(87)	(76)	(72)	(81)	(92)	(106)
Net income from discontinued operations, net of income taxes	922	27	30	32	37	42	37	23
Net income (loss)	828	(56)	(57)	(44)	(35)	(39)	(55)	(83)
Dividend on series A convertible preferred stock	(4)	(4)	(4)	(4)	(1)	—	—	—
Accretion of series A convertible preferred stock	—	—	—	—	(4)	—	—	—
Net income (loss) attributable to common stockholders	824%	(60)%	(61)%	(48)%	(40)%	(39)%	(55)%	(83)%

Quarterly Revenue Trends

Our 2021 quarterly revenue increased year-over-year for all periods presented, reflecting increased amortization of revenue from higher deferred revenue compared with the year-ago period, as well as increased capacity in professional services. The increase in deferred revenue was due to increased sales of our cloud-based security solutions, as well as our threat intelligence and managed detection and response services.

Sequentially, our platform, cloud subscription and managed services revenue continued to increase each quarter presented with the exception of the second quarter of 2021 where there was a large mix shift in our Validation business, moving from term revenue (upfront revenue) to more cloud-based revenue (deferred

revenue). The overall trend in sequential growth was due to increased amortization of deferred revenue associated with higher deferred revenue, which was primarily due to growth in sales of cloud-based security solutions, threat intelligence, and managed detection and response services, as well as increased professional services revenue.

Quarterly Gross Profit Trends

Consistent with increases in our quarterly revenue, quarterly gross profit increased year-over-year for all periods presented. Gross margin, or gross profit as a percentage of revenue, increased year-over-year in 2021, with the exception of the second quarter of 2021, which decreased year-over-year due to the large shift in revenue mix and increased spending in professional services. The overall trend in increased gross profit is primarily due to continued efforts to reduce overhead expense as well as changing the method of delivery of intelligence and reports to be at scale rather than individualized customer delivery.

Quarterly Expense Trends

For 2021, operating expenses excluding restructuring charges were lowest in the first quarter and trended upward sequentially as employee-related payroll costs increased as headcount increased. For 2020, operating expenses excluding restructuring charges were highest in the first quarter primarily due to our annual sales and marketing corporate event, held on-site prior to COVID-19 restrictions, decreased in the second quarter and trended up sequentially primarily due to employee-related payroll costs as headcount increased.

Liquidity and Capital Resources

	As of December 31,	
	2021	2020
	(In thousands)	
Cash and cash equivalents	\$1,154,458	\$673,234
Short-term investments	\$1,039,339	\$624,824

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Cash used in operating activities – continuing operations	\$ (62,389)	\$(100,409)	\$(120,786)
Cash provided by operating activities – discontinued operations	124,345	195,304	188,323
Cash provided by operating activities	61,956	94,895	67,537
Cash provided by (used in) investing activities – continuing operations	705,752	(22,291)	(105,276)
Cash used in investing activities – discontinued operations	(16,311)	(49,867)	(63,760)
Cash provided by (used in) investing activities	689,441	(72,158)	(169,036)
Cash provided by (used in) financing activities	(273,393)	319,114	26,273
Net increase (decrease) in cash and cash equivalents	\$ 478,004	\$ 341,851	\$ (75,226)

As of December 31, 2021, our cash and cash equivalents of \$1.2 billion were held for working capital, capital expenditures, investment in technology, debt servicing and business acquisition purposes, of which approximately \$73.3 million was held outside of the United States. We consider the undistributed earnings of our foreign subsidiaries as of December 31, 2021 to be indefinitely reinvested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our plan for reinvestment of our foreign subsidiaries' undistributed earnings.

On August 4, 2021, we announced the acquisition of Intrigue, a developer of attack surface management technology, for consideration of approximately \$12.3 million in cash.

In December 2020, we issued and sold 400,000 shares of a newly designated 4.5% Series A Convertible Preferred Stock, par value \$0.0001 per share, at a price of \$1,000 per share, for an aggregate purchase price of \$400.0 million.

In November 2020, we acquired Respond Software, a cybersecurity investigation automation company. In connection with this acquisition, we paid cash consideration of \$116.1 million and assumed \$5.0 million in net tangible liabilities.

In January 2020, we acquired Cloudvisory, a provider of cloud visibility and control solutions. Total consideration for the acquisition was \$13.2 million in cash. We also assumed \$0.3 million in net tangible liabilities.

In May 2019, we acquired Verodin, a security instrumentation platform company. As consideration for the acquisition, we paid \$143.7 million in cash, issued 8,404,609 shares of our common stock with an estimated fair value of \$119.7 million and recognized \$1.5 million of the fair value of assumed stock options attributable to pre-combination services.

On October 8, 2021, we completed the previously announced sale of the FireEye Products business to Magenta Buyer LLC (“Trellix”), which is backed by a consortium led by Symphony Technology Group. Upon the sale on October 8, 2021, we received approximately \$1.2 billion, net of cash disposed. For the year ended December 31, 2021, we incurred cash payments of \$29.8 million related to the sale of our FireEye Products business, which have been presented as operating cash flows from discontinued operations.

Our principal sources of liquidity are existing cash and cash equivalents and short-term investments and any cash inflow from operations, which we believe will be sufficient to meet our anticipated cash needs for at least the next 12 months. While we have experienced delays in collections which we attribute to the COVID-19 pandemic, we believe we will be able to manage liquidity to meet our anticipated cash needs for at least the next 12 months. Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support development efforts, the efficiency of our marketing and sales activities, the introduction of new and enhanced product and service offerings, the cost of any future acquisitions of technology or businesses, and the continuing market acceptance of our products. In the event that additional financing is required from outside sources, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results and financial condition would be adversely affected.

Operating Activities

During the year ended December 31, 2021, our operating activities from continuing operations used cash of \$62.4 million. We incurred a loss from continuing operations of \$412.1 million, which included net non-cash expenses of \$314.1 million, primarily consisting of stock-based compensation charges, depreciation and amortization expense, non-cash interest expense related to convertible notes and loss on disposal of property and equipment and write-down of operating right-of-use assets related to relocating our corporate headquarters. Our net change in operating assets and liabilities provided cash of \$35.6 million, primarily related to cash sourced from a decrease in deferred revenue of \$126.1 million and a decrease in accounts payable and accrued liabilities of \$1.0 million, partially offset by an increase in accounts receivable of \$67.6 million due to a significant increase in fourth quarter billings as compared to 2020, an increase in prepaid expenses and other assets of \$14.4 million and a decrease in other long-term liabilities of \$9.4 million. Cash provided by operating activities from discontinued operations was \$124.3 million.

During the year ended December 31, 2020, our operating activities from continuing operations used cash of \$100.4 million. We incurred a loss from continuing operations of \$349.3 million, which included net non-cash expenses of \$239.3 million, primarily consisting of stock-based compensation charges, depreciation and amortization expense and non-cash interest expense related to our convertible notes. Our net change in operating assets and liabilities provided cash of \$9.6 million, primarily due to an increase in accrued compensation of \$28.6 million, a decrease in deferred revenue of \$8.3 million, partially offset by a decrease in other long-term liabilities of \$14.9 million and a decrease in accounts payables and accrued liabilities of \$13.4 million. Cash provided by operating activities from discontinued operations was \$195.3 million.

Investing Activities

Cash provided by investing activities from continuing operations during the year ended December 31, 2021 was \$705.8 million, which was primarily due to \$1.2 billion of net proceeds received from the divestiture

of the FireEye Products business, partially offset by \$430.1 million net spending on short-term marketable securities as purchases exceeded maturities and sales proceeds, capital expenditures to purchase property and equipment of \$25.5 million and by \$11.7 million used to acquire Intrigue. Cash used in investing activities from discontinued operations was \$16 million.

Cash used by investing activities from continuing operations during the year ended December 31, 2020 was \$22.3 million. This was primarily due to \$82.2 million used to acquire Cloudvisory and Respond, net of cash acquired, and \$17.9 million used for capital expenditures to purchase property and equipment, partially offset by \$79.1 million of net receipts from short-term investments as maturities and sales exceeded purchases. Cash used in investing activities from discontinued operations was \$49.9 million.

Financing Activities

During the year ended December 31, 2021, financing activities used \$273.4 million in cash, primarily for share repurchases of \$288.5 million, and payment related to shares withheld for taxes of \$11.2 million, partially offset by \$26.4 million received from employee purchases of shares under our 2013 Employee Stock Purchase Plan ("ESPP") and exercises of employee stock options.

During the year ended December 31, 2020, financing activities provided \$319.1 million in cash, primarily from proceeds of \$395.3 million received from the issuance of Series A Convertible Preferred Stock, net of issuance costs, and proceeds of \$29.5 million from employee purchases of shares under our ESPP and exercises of employee stock options.

Net cash provided by (used in) discontinued operations:

Cash provided by discontinued operations for the year ended December 31, 2021 was \$108.0 million as compared to cash provided by discontinued operations of \$145.4 million for the year ended December 31, 2020. The \$37.4 million decrease was primarily due to a \$71.0 million decrease in cash provided by operating activities offset by a \$33.6 million increase in cash used in investing activities. The decrease in cash flows from operating activities was primarily due to a \$28.5 million decrease in net income excluding the gain from the FireEye Products business divestiture and a \$15.1 million decrease in cash flows related to operating assets and liabilities. The decrease in cash used in investing activities was primarily due to not having any business acquisitions related to discontinued operations in 2021 compared to the \$41.5 million used for business acquisitions in 2020.

Contractual Obligations and Commitments

The following summarizes our contractual obligations and commitments as of December 31, 2021:

	Payments Due by Period				
	Total	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years
			(In thousands)		
Convertible Notes	\$1,121,318	\$12,959	\$482,181	\$626,178	\$ —
Operating leases	79,631	13,839	24,315	21,223	20,254
Purchase obligations	20,572	5,511	13,450	1,611	—
Total	<u>\$1,221,521</u>	<u>\$32,309</u>	<u>\$519,946</u>	<u>\$649,012</u>	<u>\$20,254</u>

Total future payments related to our Convertible Notes of \$1.1 billion shown in the table above is composed of \$23.4 million principal amount of Series A Notes, \$460 million principal amount of Series B Notes, \$600 million principal amount of 2024 Notes and future interest payments of \$37.9 million. Although the 2035 Notes have a stated maturity of June 1, 2035, they have been reflected in the table above assuming repurchase on June 1, 2025 in the case of the Series A Notes and June 1, 2022 in the case of the Series B Notes (the earliest future date holders have the right to require us to repurchase all or any portion of their Convertible Senior Notes) at 100% of the principal amount plus accrued and unpaid interest as of these dates.

Due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits as of December 31, 2021, we are unable to make reasonably reliable estimates of the period of

cash settlement with the respective taxing authorities. Therefore, approximately \$5.4 million of unrecognized tax benefits classified as “Other long-term liabilities” in the accompanying consolidated balance sheets as of December 31, 2021, have been excluded from the contractual obligations table above.

Off-Balance Sheet Arrangements

As of December 31, 2021, we did not have any relationships with unconsolidated entities or financial partnerships, such as structured finance or special purpose entities, which were established for the purpose of facilitating off-balance sheet arrangements or other purposes.

Segment Information

We have one primary business activity and operate in one reportable segment.

Concentration

For the years ended December 31, 2021 and 2020, one reseller represented 10% of the Company’s total revenue, but did not represent 10% or greater of the Company’s total revenue for the year ended December 31, 2019.

Our agreements with the distributors and reseller were made in the ordinary course of our business and may be terminated with or without cause by either party with advance notice. Although we believe we would experience some short-term disruption in the distribution of our products and subscriptions and services if these agreements were terminated, we believe such termination would not have a long-term material adverse effect on our financial results and that alternative resellers and other channel partners exist who would be able to deliver our products to our end-customers.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

The critical accounting policies requiring estimates, assumptions, and judgments that we believe have the most significant impact on our consolidated financial statements are described below.

Revenue from Contracts with Customers

Revenue is recognized when all of the following criteria are met:

- **Identification of the contract, or contracts, with a customer** — A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party’s rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance and the parties are committed to perform, and (iii) we determine that collection of substantially all consideration to which it will be entitled in exchange for goods or services that will be transferred is probable based on the customer’s intent and ability to pay the promised consideration.
- **Identification of the performance obligations in the contract** — Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, we apply judgment to determine whether promised goods or services are capable of

being distinct and distinct in the context of the contract. If these criteria are not met the promised goods or services are accounted for as a combined performance obligation.

- ***Determination of the transaction price*** — The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring goods or services to the customer adjusted for estimated variable consideration, if any. We typically estimate the transaction price impact of discounts offered to the customers for early payments on receivables or rebates based on channel partner sales achievements. Constraints are applied when estimating variable considerations based on historical experience where applicable.
- ***Allocation of the transaction price to the performance obligations in the contract*** — If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price (“SSP”) basis. Determination of SSP requires judgment. We determine standalone selling price taking into account available information such as historical selling prices of the performance obligation, geographic location, overall strategic pricing objective, market conditions and internally approved pricing guidelines related to the performance obligations.
- ***Recognition of revenue when, or as, we satisfy performance obligations*** — We satisfy performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognized at or over the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

Nature of Solutions and Services

We generate revenue from the sales of cloud based subscriptions, managed services and professional services, primarily through our indirect relationships through our partners or direct relationships through our direct sales-force. We account for our performance obligations in accordance with Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, regarding Accounting Standards Codification Topic 606 (“ASC 606”) and all related interpretations.

Revenue from subscriptions to our cloud-based solutions, which allow customers to use our hosted security software over a contracted period without taking possession of the software and managed services where we provide managed detection and response services for customers, are recognized over the contractual term. A small portion of our revenue is derived from our validation software deployed on premise that is not dependent on regular threat intelligence updates. Revenue from these solutions is therefore recognized when ownership is transferred to our customers, typically upon delivery of the license.

Professional services, which include incident response, security assessments, and other strategic security consulting services are offered on a time-and-materials basis or through fixed fee arrangements, and we recognize the associated revenue as the services are delivered.

Discontinued Operations

Revenue from discontinued operations was generated primarily from sales of network, email, endpoint security, Helix SIEM and Cloudvisory solutions deployed on a customer’s premises, either as an integrated security appliance or a distributed hybrid on-premise/private cloud configurations. As a single performance obligation, revenue from sales of appliance hardware and related subscriptions was recognized ratably over the contractual term, typically one to three years. Such contracts typically contained a material right of renewal option that allows the customer to renew their DTI cloud and support subscriptions for an additional term at a discount to the original purchase price of the single performance obligation. For contracts that contained a material right of renewal option, the value of the performance obligation allocated to the renewal was recognized ratably over the period between the end of the initial contractual term and end of the estimated useful life of the related appliance and license. A small portion of our revenue in the product and related subscription and support revenue related to discontinued operations was derived from the sale of our network forensics appliances and our central management system appliances. These appliances were not dependent on regular security intelligence updates, and revenue from these appliances was therefore recognized when ownership was transferred to our customer, typically at shipment.

Stock-Based Compensation

Compensation expense related to stock-based transactions, including employee and non-employee director stock options, is measured and recognized in the financial statements based on the fair value of the awards granted. The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model and a single option award approach. The fair value of stock options granted to non-employees is remeasured as the stock options vest, and the resulting change in value, if any, is recognized in the statement of operations during the period the related services are rendered. Stock-based compensation expense is recognized over the requisite service periods of the awards, which is generally four years.

Our use of the Black-Scholes option-pricing model requires the input of highly subjective assumptions, including the fair value of the underlying common stock prior to our IPO in September 2013, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions used in our option-pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future. These assumptions and estimates are as follows:

- **Fair Value of Common Stock.** Because our common stock was not publicly traded until September 20, 2013, we were required to estimate the fair value of common stock for grants made prior to that date, as discussed in "Common Stock Valuations" below.
- **Risk-Free Interest Rate.** We base the risk-free interest rate used in the Black-Scholes option-pricing model on the implied yield available on U.S. Treasury zero-coupon issues with a remaining term equivalent to that of the options for each option group.
- **Expected Term.** The expected term represents the period that our stock-based awards are expected to be outstanding. We base the expected term assumption on our historical exercise behavior combined with estimates of the post-vesting holding period.
- **Volatility.** We determine the price volatility factor based on the historical volatilities of our publicly traded peer group as we do not have a significant trading history for our common stock. Industry peers consist of several public companies in the technology industry that are similar to us in size, stage of life cycle, and financial leverage. We used the same set of peer group companies in all the relevant valuation estimates. We did not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.
- **Dividend Yield.** The expected dividend assumption is based on our current expectations about our anticipated dividend policy. Consequently, we used an expected dividend yield of zero.

In addition to the assumptions used in the Black-Scholes option-pricing model, we also estimated a forfeiture rate to calculate the stock-based compensation expense for our awards prior to January 1, 2016. Beginning January 1, 2016, we began recognizing forfeitures as they occur with the adoption of ASU 2016-09.

We estimate the fair value of the rights to acquire stock under our ESPP using the Black-Scholes option pricing formula. Our ESPP typically provides for consecutive twelve-month offering periods and we use our peer group volatility data in the valuation of ESPP shares. We recognize such compensation expense on a straight-line basis over the requisite service period.

We account for the fair value of restricted stock units ("RSUs") using the closing market price of our common stock on the date of grant. For new-hire grants, RSUs generally vest ratably on an annual basis over four years. For annual refresh grants, RSUs generally vest ratably on an annual, or combination of annual and quarterly, basis over two to four years.

We account for the fair value of performance stock units ("PSUs") using the closing market price of our common stock on the date of grant. We begin recognizing compensation expense when we conclude that it is

probable that the performance conditions will be achieved. We reassess the probability of vesting at each reporting period and adjust our compensation cost based on this probability assessment.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to our estimates which could materially impact our future stock-based compensation expense.

Income Taxes

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development credit carryforwards. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized. We recognize taxes on Global Intangible Low-Taxed Income (“GILTI”) as a current period expense when incurred.

We apply the authoritative accounting guidance prescribing a threshold and measurement attribute for the financial recognition and measurement of a tax position taken or expected to be taken in a tax return. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences may impact the provision for income taxes in the period in which such determination is made.

Significant judgment is also required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including scheduled reversal of deferred tax liabilities, past operating results, the feasibility of tax planning strategies and estimates of future taxable income. Estimates of future taxable income are based on assumptions that are consistent with our plans. Assumptions represent management’s best estimates and involve inherent uncertainties and the application of management’s judgment. Should actual amounts differ from our estimates, the amount of our tax expense and liabilities could be materially impacted.

We do not provide for a U.S. income tax liability and foreign withholding taxes on undistributed foreign earnings of our foreign subsidiaries as a result of cumulative and current overall foreign loss. The earnings of non-U.S. subsidiaries are currently expected to be indefinitely reinvested in non-U.S. operations.

Loss Contingencies

We are subject to the possibility of various loss contingencies arising in the ordinary course of business. We consider the likelihood of loss or impairment of an asset, or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss, in determining loss contingencies. An estimated loss contingency is accrued when it is probable that an asset has been impaired, or a liability has been incurred and the amount of loss can be reasonably estimated. If we determine that a loss is possible, and the range of the loss can be reasonably determined, then we disclose the range of the possible loss. We regularly evaluate current information available to us to determine whether an accrual is required, an accrual should be adjusted, or a range of possible loss should be disclosed.

Goodwill and Purchased Intangible Assets

Goodwill represents the excess of the aggregate purchase price paid over the fair value of the net tangible and identifiable intangible assets acquired. In the valuation of our goodwill, we must make assumptions

regarding estimated future cash flows to be derived from our business. If these estimates or their related assumptions change in the future, we may be required to record impairment for these assets. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company has determined that it operates as one reporting unit and has selected December 1 as the date to perform its annual impairment test.

We perform the impairment testing by first assessing qualitative factors to determine whether existence of events or circumstances leads to a determination that it is more likely than not that the fair value of its reporting unit is less than its carrying amount. In assessing the qualitative factors, we consider the impact of certain key factors including macroeconomic conditions, industry and market considerations, management turnover, changes in regulation, litigation matters, changes in enterprise value, and overall financial performance. If, after assessing the totality of events or circumstances, the Company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then it performs a quantitative assessment to determine whether there is any impairment. To calculate any potential impairment, the Company compares the fair value of a reporting unit with its carrying amount, including goodwill. There was no impairment of goodwill recorded for the years ended December 31, 2021, 2020 or 2019.

Purchased intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets. Purchased intangible assets with indefinite lives are assessed for potential impairment annually, or when events or circumstances indicate that their carrying amounts might be impaired.

Business Combinations

We account for all of our acquisitions using the acquisition method of accounting for business combinations. The fair value of purchase consideration is allocated to the tangible assets acquired, liabilities assumed, and intangible assets acquired, based on their estimated fair values. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill.

When determining the fair value of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to identifiable intangible assets. Significant assumptions in valuing certain identifiable intangible assets include, but are not limited to, expected long-term market growth, customer retention, future expected operating expenses, costs of capital, and appropriate discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Discontinued Operations

We consider assets to be held for sale when management commits to a formal plan to actively market the assets for sale at a price reasonable in relation to fair value, it is unlikely that significant changes will be made to the plan, the assets are available for immediate sale in their present condition, an active program to locate a buyer and other actions required to complete the sale have been initiated and the sale of the assets is expected to be completed within one year. Upon designation as held for sale, we record the carrying value of the assets at the lower of the then current carrying value or estimated fair value, less costs to sell. Fair value is determined based on external data available or management's estimates, depending upon the nature of the assets and liabilities. Goodwill is allocated to the FireEye Products business and designated as held for sale based on the relative fair values of the FireEye Products business and the remaining business. The fair value is determined based on the Company's market capitalization and management's estimate of the control premium a buyer would pay to obtain control of the business. Following recording as such, assets held for sale are not depreciated or amortized thereafter.

If the disposal of the component of an entity (or group of components) represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results, it meets the criteria for discontinued operations. The results of discontinued operations, as well as any gain or loss on the disposal transaction, are presented separately, net of tax, from the results of continuing operations for all periods presented. The revenue and expenses included in the results of discontinued operations are the revenue and direct operating expenses incurred by the discontinued component that may be reasonably segregated from the revenue and costs of the ongoing operations of the Company. The assets and liabilities for the FireEye

Products business have been accounted for as assets and liabilities held for sale in our consolidated balance sheets. The operating results have been included in discontinued operations in our consolidated financial statements. The consolidated statement of cash flows presents combined cash flows from continuing operations with cash flows from discontinued operations within each cash flow statement category. The prior periods have been adjusted to reflect the assets and liabilities held for sale and discontinued operations.

Recent Accounting Pronouncements

See Note 1, “Description of Business and Summary of Significant Accounting Policies,” contained in the “Notes to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report on Form 10-K for a full description of the recent accounting pronouncements and our expectation of their impact, if any, on our results of operations and financial conditions.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risk

Our sales contracts are primarily denominated in U.S. dollars. A portion of our operating expenses are incurred outside the United States and are denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Indian Rupee, British Pound Sterling, Japanese Yen and Euro. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. On June 23, 2016, the United Kingdom (“U.K.”) held a referendum in which British voters approved an exit from the European Union (“EU”), commonly referred to as “Brexit.” This resulted in an adverse impact to currency exchange rates, notably the British Pound Sterling which experienced a sharp decline in value compared to the U.S. dollar and other currencies. Continued volatility in currency exchange rates is expected as the U.K. negotiates its exit from the EU, which could result in greater transaction gains or losses in our statement of operations.

The effect of a hypothetical 10% adverse change in foreign exchange rates on monetary assets and liabilities at December 31, 2021 would not be material to our financial condition or results of operations. To date, foreign currency transaction gains and losses and exchange rate fluctuations have not been material to our financial statements, and we have not engaged in any foreign currency hedging transactions.

As our international operations continue to grow, our risks associated with fluctuations in currency rates will become greater, and we will continue to reassess our approach to managing this risk. In addition, currency fluctuations or a weakening U.S. dollar can increase the costs of our international expansion, and a strengthening U.S. dollar could slow international demand as products and services priced in U.S. dollars become more expensive.

Interest Rate Risk

We had cash and cash equivalents and investments of \$2.2 billion and \$1.3 billion as of December 31, 2021 and 2020, respectively, consisting of bank deposits, money market funds, certificates of deposit, commercial paper and bonds issued by corporate institutions, U.S. Treasury notes and U.S. government agencies. Such interest-earning instruments carry a degree of interest rate risk, but the risk is limited due to our investment policies which limit the duration of our short term investments. To date, fluctuations in interest income have not been significant.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates.

Our cash flow exposure due to changes in interest rates related to our debt is limited as our Series A Notes, Series B Notes and 2024 Notes have fixed interest rates of 1.000%, 1.625% and 0.875%, respectively. The fair value of the Convertible Notes may increase or decrease for various reasons, including fluctuations in the market price of our common stock, fluctuations in market interest rates and fluctuations in general economic conditions. Based upon the quoted market price as of December 31, 2021, the fair value of our Convertible Notes was approximately \$1.0 billion.

A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm (PCAOB ID No. 34)	86
Consolidated Balance Sheets as of December 31, 2021 and 2020	89
Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019	90
Consolidated Statements of Comprehensive Loss for the years ended December 31, 2021, 2020 and 2019	91
Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity for the years ended December 31, 2021, 2020 and 2019	92
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019	93
Notes to Consolidated Financial Statements	94

Certain supplementary financial information required by this Item 8 is included in Part II, Item 7 of this Annual Report on Form 10-K under the caption "Quarterly Results of Operations."

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Mandiant, Inc. (formerly FireEye, Inc.)

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Mandiant, Inc. (formerly FireEye, Inc.) and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), convertible preferred stock and stockholders’ equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2022, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the sale of the FireEye Products business to a consortium led by Symphony Technology Group closed on October 8, 2021. As a result, the FireEye Products business was classified as discontinued operations and the related assets and liabilities were classified as held for sale in the financial statements.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition and Contract Balances — Appliance and License Useful Life — Refer to Notes 1, 8, and 10 to the financial statements

Critical Audit Matter Description

The Company recognizes revenue for contracts that contain a renewal option, which is a material right, over the contractual term with the allocated value of the renewal option recognized over the period between the end

of the initial contractual term and the end of the estimated useful life of the related appliance and license. The costs of revenue and commissions for such contracts are also recognized based on this estimated useful life.

We identified appliance and license useful life as a critical audit matter because the determination of this estimated useful life of the appliance and license requires significant judgment based on the Company's evaluation of historical renewals, technology refresh cycle, and management's expectation of future trends. This required a high degree of auditor judgment and an increased extent of effort to perform qualitative evaluations of these assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the estimated appliance and license useful life included the following, among others:

- We tested the effectiveness of controls over the Company's determination of the estimated appliance and license useful life.
- We evaluated the methods and assumptions used by management to determine the estimated useful life by:
 - Testing the underlying data that served as the basis for the analysis including information regarding actual historical renewals.
 - Recalculating the quantitative historical renewal information in the Company's analysis
 - Assessing qualitative factors including product refresh cycle, technology life and evaluating whether historical renewal of the license and hardware is indicative of the estimated useful life based on internal or external information available, including interviews with Company personnel and reviews of Company product road maps and industry publications.
 - Evaluating the reasonableness of management's overall conclusion

Discontinued Operations — Control Premium Used for Goodwill Allocation — Refer to Notes 1 and 2 to the financial statements

Critical Audit Matter Description

On October 8, 2021, the Company sold the assets and liabilities of the FireEye Products business in exchange for total cash consideration of \$1.2 billion and recorded a gain on divestiture of \$1.2 billion. The assets and liabilities sold were recorded at the lower of the then current carrying value or estimated fair value, less costs to sell. Fair value is determined based on external data available or management's estimates, depending upon the nature of the assets and liabilities. Goodwill was allocated to the FireEye Products business based on the relative fair values of the FireEye Products business and the remaining business. The fair value of the business was determined based on the Company's market capitalization and management's estimate of the control premium a buyer would pay to obtain control of the business.

We identified the control premium used in the allocation of goodwill as a critical audit matter because it required management judgment. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the control premium.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the control premium used for goodwill allocation included the following, among others:

- We tested the effectiveness of controls over the estimation of the control premium used for goodwill allocation.
- We assessed the reasonableness of the control premium used for goodwill allocation by inquiring with management to understand how the premium was determined, comparing the premium to comparable market transactions, and evaluating the reasonableness of internal and external factors management considered in estimating the control premium.

- We evaluated management's methodology for estimating the control premium.
- We involved our valuation specialists to audit the assumptions used in the determination of the control premium.

/s/ DELOITTE & TOUCHE LLP

San Jose, California

March 1, 2022

We have served as the Company's auditor since 2010.

MANDIANT, INC. (FORMERLY FIREEYE, INC.)

Consolidated Balance Sheets
(In thousands, except per share data)

	As of December 31,	
	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,154,458	\$ 673,234
Short-term investments	1,039,339	624,824
Accounts receivable, net of allowance for doubtful accounts of \$806 and \$1,225 at December 31, 2021 and 2020, respectively	146,460	70,563
Prepaid expenses and other current assets	73,079	39,670
Current assets held for sale	—	153,954
Total current assets	2,413,336	1,562,245
Property and equipment, net	46,329	64,336
Operating lease right-of-use assets, net	25,768	36,728
Goodwill	1,060,023	1,050,962
Intangible assets, net	79,511	120,555
Deposits and other long-term assets	26,220	18,084
Long-term assets held for sale	—	392,974
TOTAL ASSETS	<u>\$ 3,651,187</u>	<u>\$ 3,245,884</u>
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 32,585	\$ 4,027
Operating lease liabilities, current	13,306	14,556
Accrued and other current liabilities	105,886	19,730
Accrued compensation	71,660	71,784
Convertible senior notes, current, net	451,030	—
Deferred revenue, current portion	307,611	226,356
Current liabilities held for sale	—	417,291
Total current liabilities	982,078	753,744
Convertible senior notes, net	556,240	960,896
Deferred revenue, non-current portion	102,717	57,897
Operating lease liabilities, non-current	52,132	41,802
Other long-term liabilities	7,376	12,339
Long-term liabilities held for sale	—	285,251
Total liabilities	1,700,543	2,111,929
Commitments and contingencies (NOTE 12)		
Series A Convertible Preferred Stock, par value of \$0.0001 per share; 400 shares authorized, issued and outstanding as of December 31, 2021 and 2020	419,404	401,050
Stockholders' equity:		
Common stock, par value of \$0.0001 per share; 1,000,000 shares authorized, 231,166 and 235,690 shares issued and outstanding as of December 31, 2021 and 2020, respectively	23	24
Additional paid-in capital	3,511,444	3,623,243
Treasury stock, at cost; 1,778 and 1,778 shares as of December 31, 2021 and 2020, respectively	(80,000)	(80,000)
Accumulated other comprehensive income (loss)	(2,172)	3,834
Accumulated deficit	(1,898,055)	(2,814,196)
Total stockholders' equity	1,531,240	732,905
TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY	<u>\$ 3,651,187</u>	<u>\$ 3,245,884</u>

See accompanying notes to consolidated financial statements.

MANDIANT, INC. (FORMERLY FIREEYE, INC.)

Consolidated Statements of Operations
(In thousands, except per share data)

	Year Ended December 31,		
	2021	2020	2019
Revenue:			
Platform, cloud subscription and managed services	\$ 235,077	\$ 198,695	\$ 163,583
Professional services	248,378	201,014	167,787
Total revenue	<u>483,455</u>	<u>399,709</u>	<u>331,370</u>
Cost of revenue:			
Platform, cloud subscription and managed services	111,915	107,872	101,793
Professional services	142,477	117,645	98,512
Total cost of revenue	<u>254,392</u>	<u>225,517</u>	<u>200,305</u>
Total gross profit	<u>229,063</u>	<u>174,192</u>	<u>131,065</u>
Operating expenses:			
Research and development	166,893	122,045	103,063
Sales and marketing	262,643	224,357	237,077
General and administrative	121,134	106,347	119,435
Restructuring charges	34,576	21,084	10,264
Total operating expenses	<u>585,246</u>	<u>473,833</u>	<u>469,839</u>
Operating loss	<u>(356,183)</u>	<u>(299,641)</u>	<u>(338,774)</u>
Interest income	5,419	11,325	22,017
Interest expense	(59,333)	(60,066)	(61,927)
Other income (expense), net	1,378	(496)	(1,775)
Loss before income taxes from continuing operations	<u>(408,719)</u>	<u>(348,878)</u>	<u>(380,459)</u>
Provision for income taxes	3,381	460	(17,539)
Loss from continuing operations	<u>\$ (412,100)</u>	<u>\$ (349,338)</u>	<u>\$ (362,920)</u>
Net income from discontinued operations, net of income taxes	<u>1,328,241</u>	<u>142,037</u>	<u>105,511</u>
Net income (loss)	<u>916,141</u>	<u>(207,301)</u>	<u>(257,409)</u>
Dividend on series A convertible preferred stock	(18,354)	(1,050)	—
Accretion of series A convertible preferred stock	(82)	(4,653)	—
Net income (loss) attributable to common stockholders	<u>\$ 897,705</u>	<u>\$ (213,004)</u>	<u>\$ (257,409)</u>
Net income (loss) per share attributable to common stockholders, basic and diluted:			
Continuing operations	\$ (1.82)	\$ (1.59)	\$ (1.75)
Discontinued operations	<u>5.62</u>	<u>0.64</u>	<u>0.51</u>
Net income (loss) per share attributable to common stockholders, basic and diluted	<u>\$ 3.80</u>	<u>\$ (0.95)</u>	<u>\$ (1.24)</u>
Weighted average shares used in computing net income (loss) per share, basic and diluted	236,367	223,308	207,234

See accompanying notes to consolidated financial statements.

MANDIANT, INC. (FORMERLY FIREEYE, INC.)
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)

	Year Ended December 31,		
	2021	2020	2019
Net income (loss)	\$916,141	\$(207,301)	\$(257,409)
Change in net unrealized gains (loss) on available-for-sale investments	(6,006)	2,654	3,479
Comprehensive income (loss)	<u>\$910,135</u>	<u>\$(204,647)</u>	<u>\$(253,930)</u>

See accompanying notes to consolidated financial statements.

MANDIANT, INC. (FORMERLY FIREEYE, INC.).

Consolidated Statement of Convertible Preferred Stock and Stockholders' Equity
(In thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2018	—	—	199,612	20	3,152,159	(150,000)	(2,299)	(2,349,486)	650,394
Issuance of common stock for equity awards	—	—	9,624	1	4,186	—	—	—	4,187
Issuance of common stock related to employee stock purchase plan . . .	—	—	1,781	—	22,086	—	—	—	22,086
Issuance of common stock and assumption of options related to Verodin, Inc. acquisition	—	—	8,405	1	121,157	—	—	—	121,158
Unrealized gain on investments	—	—	—	—	—	—	3,479	—	3,479
Stock-based compensation	—	—	—	—	157,771	—	—	—	157,771
Net loss	—	—	—	—	—	—	—	(257,409)	(257,409)
Balance at December 31, 2019	—	—	219,422	22	3,457,359	(150,000)	1,180	(2,606,895)	701,666
Issuance of common stock for equity awards	—	—	11,492	2	7,333	—	—	—	7,335
Shares withheld for taxes	—	—	(600)	—	(9,364)	—	—	—	(9,364)
Issuance of common stock related to employee stock purchase plan . . .	—	—	1,999	—	22,188	—	—	—	22,188
Shares retired	—	—	(1,555)	—	(70,000)	70,000	—	—	—
Issuance of common stock and assumption of options related to Respond, Inc. acquisition	—	—	4,932	—	60,336	—	—	—	60,336
Partially vested options related to Respond, Inc. acquisition	—	—	—	—	1,162	—	—	—	1,162
Series A convertible preferred stock, net of issuance costs of \$4,653 . . .	400	395,347	—	—	—	—	—	—	—
Accretion of Series A convertible preferred stock	—	4,653	—	—	(4,653)	—	—	—	(4,653)
Dividends on Series A convertible preferred stock	—	1,050	—	—	(1,050)	—	—	—	(1,050)
Unrealized gain on investments	—	—	—	—	—	—	2,654	—	2,654
Stock-based compensation	—	—	—	—	159,932	—	—	—	159,932
Net loss	—	—	—	—	—	—	—	(207,301)	(207,301)
Balance at December 31, 2020	400	401,050	235,690	24	3,623,243	(80,000)	3,834	(2,814,196)	732,905
Issuance of common stock for equity awards	—	—	11,468	1	6,604	—	—	—	6,605
Shares withheld for taxes	—	—	(536)	—	(11,232)	—	—	—	(11,232)
Shares repurchased	—	—	(16,829)	(2)	(299,999)	—	—	—	(300,001)
Issuance of common stock related to employee stock purchase plan . . .	—	—	1,631	—	19,834	—	—	—	19,834
Issuance of common stock related to Respond, Inc. acquisition	—	—	(258)	—	—	—	—	—	—
Accretion of Series A convertible preferred stock	—	—	—	—	(82)	—	—	—	(82)
Dividends on Series A convertible preferred stock	—	18,354	—	—	(18,354)	—	—	—	(18,354)
Unrealized loss on investments	—	—	—	—	—	—	(6,006)	—	(6,006)
Stock-based compensation	—	—	—	—	191,430	—	—	—	191,430
Net income (loss)	—	—	—	—	—	—	—	916,141	916,141
Balance at December 31, 2021	400	\$419,404	231,166	\$23	\$3,511,444	\$ (80,000)	\$(2,172)	\$(1,898,055)	\$1,531,240

See accompanying notes to the consolidated financial statements.

MANDIANT, INC. (FORMERLY FIREEYE, INC.)

Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 916,141	\$(207,301)	\$(257,409)
Less: income (loss) from discontinued operations	<u>1,328,241</u>	<u>142,037</u>	<u>105,511</u>
Loss from continuing operations	(412,100)	(349,338)	(362,920)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	94,723	78,337	80,667
Stock-based compensation	151,405	113,698	105,215
Non-cash interest expense related to convertible senior notes	46,374	46,728	47,983
Deferred income taxes	795	(754)	(340)
Loss on disposal of property and equipment	19,871	885	219
Other	959	418	(71)
Changes in operating assets and liabilities, net of assets acquired and liabilities assumed in business acquisitions:			
Accounts receivable	(67,584)	2,613	(25,437)
Prepaid expenses and other assets	(14,434)	(1,589)	9,005
Accounts payable	13,095	(10,036)	3,936
Accrued liabilities	(12,080)	(3,363)	(5,564)
Accrued compensation	(124)	28,559	(570)
Deferred revenue	126,075	8,349	38,508
Other long-term liabilities	<u>(9,364)</u>	<u>(14,916)</u>	<u>(11,417)</u>
Net cash used in operating activities – continuing operations	(62,389)	(100,409)	(120,786)
Net cash provided by operating activities – discontinued operations	<u>124,345</u>	<u>195,304</u>	<u>188,323</u>
Net cash provided by operating activities	<u>61,956</u>	<u>94,895</u>	<u>67,537</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment and demonstration units	(25,536)	(17,928)	(29,349)
Purchases of short-term investments	(938,938)	(393,442)	(617,194)
Proceeds from maturities of short-term investments	506,861	443,396	620,580
Proceeds from sales of short-term investments	2,008	29,161	—
Business acquisitions, net of cash acquired	(11,678)	(82,247)	(79,987)
Proceeds from sale of FireEye Products business, net of cash disposed	1,171,664	—	—
Purchase of investment in private company	—	(1,000)	—
Lease deposits	<u>1,371</u>	<u>(231)</u>	<u>674</u>
Net cash provided by (used in) investing activities – continuing operations	705,752	(22,291)	(105,276)
Net cash used in investing activities – discontinued operations	<u>(16,311)</u>	<u>(49,867)</u>	<u>(63,760)</u>
Net cash provided by (used in) investing activities	<u>689,441</u>	<u>(72,158)</u>	<u>(169,036)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repurchase of convertible senior notes	—	(96,392)	—
Share repurchases	(288,518)	—	—
Series A convertible preferred stock issuance costs	(82)	(4,653)	—
Series A convertible preferred stock	—	400,000	—
Payment related to shares withheld for taxes	(11,232)	(9,363)	—
Proceeds from employee stock purchase plan	19,834	22,188	22,086
Proceeds from exercise of equity awards	6,605	7,334	4,187
Net cash provided by (used in) financing activities	<u>(273,393)</u>	<u>319,114</u>	<u>26,273</u>
Net change in cash and cash equivalents	478,004	341,851	(75,226)
Cash and cash equivalents, beginning of period	673,234	331,383	406,609
Cash and cash equivalents held for sale, beginning of period	3,220	3,220	3,220
Cash and cash equivalents held for sale, end of period	—	(3,220)	(3,220)
Cash and cash equivalents, end of period	<u>\$1,154,458</u>	<u>\$ 673,234</u>	<u>\$ 331,383</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for income taxes	\$ 4,961	\$ 4,693	\$ 4,558
Cash paid for interest	\$ 12,959	\$ 13,441	\$ 13,934
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Common stock issued in connection with acquisitions	\$ —	\$ 60,336	\$ 119,682
Purchases of property and equipment and demonstration units in accounts payable and accrued liabilities	\$ 2,960	\$ 2,408	\$ 5,264
FireEye Products business divestiture transaction costs in accounts payable and accrued liabilities	\$ 3,399	\$ —	\$ —
Share repurchases of common stock in accounts payable and accrued liabilities	\$ 11,483	\$ —	\$ —
Accretion of series A convertible preferred stock	\$ 82	\$ 4,653	\$ —
Dividend on series A convertible preferred stock	\$ 18,354	\$ 1,050	\$ —

See accompanying notes to consolidated financial statements.

MANDIANT, INC. (FORMERLY FIREEYE, INC.)

Notes to Consolidated Financial Statements

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Mandiant, Inc., formerly known as FireEye, Inc., with principal executive offices located in Reston, Virginia, was incorporated as NetForts, Inc. on February 18, 2004, under the laws of the State of Delaware, and changed its name to FireEye, Inc. on September 7, 2005. On October 4, 2021, the Company changed its name to Mandiant, Inc.

Mandiant, Inc. and its wholly owned subsidiaries (collectively, the “Company”, “we”, “us” or “our”) provide intelligence-based cybersecurity solutions and services that allow organizations to prepare for, prevent, investigate, respond to and remediate cyber-attacks, including attacks that target on-premise, cloud and critical infrastructure environments.

Our portfolio of cybersecurity solutions and services is comprised of the following:

- Mandiant Advantage software-as-a-service (SaaS) platform with integrated modules for threat intelligence, security validation, attack surface management and security automation, managed services, and consulting services. Our solutions and services help customers minimize the risk of costly cybersecurity breaches by:
 - detecting and preventing advanced, targeted and evasive attacks missed by other security controls,
 - automating the investigation and triage of security alerts generated by Mandiant solutions, as well as security control solutions from other vendors,
 - providing visibility into the latest threats and the tools and techniques used by threat actors,
 - validating the effectiveness of existing cybersecurity controls against attacks before an attack occurs,
 - providing visibility and defensive insight into the attack surface an adversary may target, and
 - providing assessment, training and other strategic security consulting services that help organizations improve their resilience to attack.

The majority of our solutions and services are sold to end-customers directly, with a lesser percentage of sales to our end-customers sold through distributors, resellers, and strategic partners.

On May 29, 2021, we entered into an Asset Purchase Agreement (the “Purchase Agreement”), pursuant to which we agreed to sell the FireEye Products business to Magenta Buyer LLC (“Trellix”), which is backed by a consortium led by Symphony Technology Group (“STG”), in exchange for total cash consideration of \$1.2 billion and assumption of certain assets and liabilities of the FireEye Products business as specified in the Purchase Agreement. As a result, the FireEye Products business was classified as discontinued operations in our consolidated financial statements and excluded from continuing operations and the related assets and liabilities were classified as held for sale. The transaction closed on October 8, 2021.

Unless otherwise noted, discussion in these Notes to Consolidated Financial Statements refers to our continuing operations. Refer to Note 2, “Discontinued Operations,” for further information.

On August 4, 2021, we acquired Intrigue Corp. (“Intrigue”), a developer of surface attack management technology, for cash consideration of approximately \$12.3 million. Intrigue’s attack surface management technology will be integrated into the Mandiant Advantage platform, enabling organizations to discover, monitor and manage risk across their entire attack surface. The intangible assets acquired and net tangible liabilities assumed in the acquisition of Intrigue are presented in the balance sheet as continuing operations.

In November 2020, we acquired Respond Software, Inc. (“Respond Software”), a cybersecurity investigation automation company for a total purchase consideration of \$177.6 million. The acquisition of Respond Software, a leader in automation of XDR, is intended to add significant capabilities to our Mandiant

Advantage platform by automating threat detection and reducing the amount of analyst time necessary to investigate threats due to the reduction in false positives as well as to accelerate Respond Software's learning models with our unique expertise and threat intelligence. A portion of the goodwill generated by the Respond Software acquisition was allocated to the FireEye Products business based on relative fair value and was reported as held for sale. The amount of Respond Software goodwill reported as held for sale is \$34.8 million. The intangible assets acquired and the net tangible liabilities assumed were retained in the sale of the FireEye Products business and are presented as continuing operations in the consolidated balance sheets.

In January 2020, we acquired Cloudvisory LLC ("Cloudvisory"), a provider of cloud visibility and control solutions. As consideration for the acquisition, we paid approximately \$13.2 million in cash and assumed \$0.3 million in net tangible liabilities. Pursuant to the sale of the FireEye Products business, the intangible assets acquired, including developed technology, and net tangible liability assumed in this acquisition are reported as held for sale in the consolidated balance sheets. A portion of goodwill generated by the Cloudvisory acquisition totaling \$1.8 million was allocated to the FireEye Products business based on relative fair value and is reported as held for sale.

In May 2019, we acquired Verodin, Inc. ("Verodin"), a security instrumentation platform company. As consideration for the acquisition, we paid \$143.7 million in cash, issued 8,404,609 shares of our common stock with an estimated fair value of \$119.7 million and recognized \$1.5 million of the fair value of assumed stock options attributable to pre-combination services. The intangible assets acquired and net tangible liabilities assumed in the acquisition of Verodin are presented in the balance sheet as continuing operations.

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of Mandiant, Inc. and its wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany balances and transactions have been eliminated in consolidation.

See Note 2, "Discontinued Operations," to our consolidated financial statements for additional information.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such management estimates include, but are not limited to, determining the nature and timing of satisfaction of performance obligations, useful life of our security appliances that are dependent on intelligence and assessing the material rights associated with it, determining the standalone selling price ("SSP") of performance obligations, subscriptions and services, commissions expense including the period of benefit of customer acquisition cost, bonus expense, future taxable income, contract manufacturer liabilities, litigation and settlement costs and other loss contingencies, fair value of our equity awards, achievement of targets for performance stock units, fair value of the liability and equity components of the Convertible Senior Notes (as defined in Note 11), fair value of assets and liabilities sold in the divestiture, allocation of goodwill to discontinued operations, results of operations of the Company's discontinued operations and the purchase price allocation of acquired businesses. We base our estimates on historical experience and on assumptions that we believe are reasonable. Changes in facts or circumstances may cause us to change our assumptions and estimates in future periods, and it is possible that actual results could differ from current or revised future estimates.

Concentrations

Financial instruments that subject us to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, and accounts receivable. We maintain a substantial portion of our cash and cash equivalents in money market funds invested in U.S. Treasury related obligations. Management believes that these financial institutions are financially sound and, accordingly, are subject to minimal credit risk. Deposits held with banks may exceed the amount of insurance provided on such deposits.

Our short-term investments primarily consist of notes and bonds issued by corporate institutions and U.S. Government agencies. All of our investments are highly-rated by credit rating agencies and are issued by organizations with reputable credit, and therefore bear minimal credit risk.

Our accounts receivables are primarily derived from a diverse set of customers across various geographical locations. We perform ongoing credit evaluations of our customers and generally do not require collateral on accounts receivable. We maintain an allowance for doubtful accounts for estimated potential credit losses. See Note 19, “Segment and Major Customers Information,” for information on major customers.

We rely primarily on a single contract manufacturer to assemble our products. In some cases, we rely on sole suppliers for certain components.

Foreign Currency Translation and Transactions

The functional currency of our foreign subsidiaries is the U.S. dollar. We translate all monetary assets and liabilities denominated in foreign currencies into U.S. dollars using the exchange rates in effect at the balance sheet dates and other assets and liabilities using historical exchange rates.

Foreign currency denominated revenue and expenses have been re-measured using the average exchange rates in effect during each period. Foreign currency translation and transaction gains and losses have been included in other income (expense) and have not been significant for the years ended December 31, 2021, 2020 and 2019. For the years ended December 31, 2021, 2020 and 2019, we recognized a loss of \$1.6 million, a gain of \$0.6 million and a loss of \$0.7 million, respectively.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less at date of purchase to be cash equivalents. We determine the appropriate classification of our investments at the time of purchase, and evaluate such designation at each balance sheet date.

Short-term Investments

We classify our investments in debt and equity securities as available-for-sale and record these investments at fair value. Investments with an original maturity of three months or less at the date of purchase are considered cash equivalents, while all other investments are classified as short-term or long-term based on the nature of the investments, their maturities, and their availability for use in current operations.

We regularly review our investment portfolio to identify and evaluate investments that have indicators of possible impairment. An investment is impaired if the fair value of the investment is less than its cost. Fair value is calculated based on publicly available market information or other estimates determined by management. If the fair value of an investment is less than its amortized cost basis at the balance sheet date and if we do not intend to sell the investment, we consider available evidence to assess whether it is more likely than not that we will be required to sell the investment before the recovery of its amortized cost basis. Factors considered in our evaluation include, but are not limited to: general market conditions, the length of time and extent a security's fair value has been below its cost, the financial condition and near-term prospects of the investee, the credit quality of the security's issuer, likelihood of recovery and our intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in value. For our debt instruments, we also evaluate whether we have the intent to sell the security or it is more likely than not that we will be required to sell the security before recovery of its cost basis.

Once an impairment is determined to be attributable to credit-related factors, allowance for credit losses (i.e., the credit loss component) is recognized as credit loss expense, a charge in other income (expense), net, on our consolidated statements of operations, and any remaining unrealized losses (i.e., the non-credit loss component), are included in accumulated other comprehensive income (loss) on our consolidated statements of convertible preferred stock and stockholders' equity.

Prior to 2020, we followed the guidance in Accounting Standards Codification (“ASC”) 320 Investments — Debt and Equity Securities in determining whether unrealized losses were other than temporary. In June 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting

Standards Update (“ASU”) 2016-13 — Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“Topic 326”). We adopted Topic 326 on January 1, 2020, and now consider whether unrealized losses have resulted from a credit loss or other factors. We concluded that an allowance for credit losses was unnecessary as of December 31, 2021 and 2020 and there was no impairment charge for any unrealized losses in 2019.

Fair Value of Financial Instruments

We define fair value as the price that would be received from selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, we consider the principal or most advantageous market in which to transact and the market-based risk. We apply fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The carrying amounts reported in the consolidated financial statements approximate the fair value for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities due to their short-term nature.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally two to five years.

The estimated useful lives of property and equipment are described below:

Property and Equipment	Useful Life
Computer equipment and software	2 to 5 years
Leasehold improvements	Shorter of estimated useful life or remaining lease term
Furniture and fixtures	5 years
Machinery and equipment	2 to 5 years

Leases

We determine if an arrangement is a lease and classification of that lease, if applicable, at inception based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether we obtain the right to substantially all the economic benefits from the use of the asset throughout the period, and (3) whether we have a right to direct the use of the asset. We currently do not have any finance leases. We have elected to not recognize a lease liability or right-of-use (“ROU”) asset for short-term leases (leases with a term of twelve months or less and do not include an option we are reasonably certain to exercise to purchase the underlying asset).

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make minimum lease payments arising from the lease. ROU assets are initially measured at amounts, which represents the present value of the lease payments over the lease, plus any initial direct costs incurred and less any lease incentives received. Annually, all ROU assets are reviewed for impairment. The lease liability is initially measured at lease commencement date based on the present value of minimum lease payments over the lease term. As the rates implicit in the leases are not readily available, we use our Incremental Borrowing Rate (“IBR”) based on the information available at commencement date of a lease in determining the present value of lease payments. The determination of our IBR requires judgment. We took into consideration our recent debt offerings as well as external credit rating factors when determining our current IBR. Our lease terms may include options to extend or terminate the lease. We do not include these options in our minimum lease terms unless we believe they are reasonably certain to be exercised. We have lease agreements with lease and non-lease components, which are generally accounted for separately. Non-lease components (i.e. common area maintenance) are separate from the lease components and are paid on actual usage. Therefore, the non-lease components are not included in the determination of the ROU asset or lease liability and are reflected as an expense in the period incurred. Our operating lease costs for operating lease payments are recognized on a straight-line basis over the lease term.

We also sublease certain office space to third-parties. Our subleases consist of office space which was vacated as part of restructuring activities. We do not recognize ROU assets or lease liabilities associated with subleased office spaces in which we are the sublessor. Sublease income is recognized ratably over the term of the agreement.

Discontinued Operations

We consider assets to be held for sale when management commits to a formal plan to actively market the assets for sale at a price reasonable in relation to fair value, it is unlikely that significant changes will be made to the plan, the assets are available for immediate sale in their present condition, an active program to locate a buyer and other actions required to complete the sale have been initiated and the sale of the assets is expected to be completed within one year. Upon designation as held for sale, we record the carrying value of the assets at the lower of the then current carrying value or estimated fair value, less costs to sell. Fair value is determined based on external data available or management's estimates, depending upon the nature of the assets and liabilities. Goodwill is allocated to the FireEye Products business and designated as held for sale based on the relative fair values of the FireEye Products business and the remaining business. The fair value is determined based on the Company's market capitalization and management's estimate of the control premium a buyer would pay to obtain control of the business. Following recording as such, assets held for sale are not depreciated or amortized thereafter.

If the disposal of the component of an entity (or group of components) represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results, it meets the criteria for discontinued operations. The results of discontinued operations, as well as any gain or loss on the disposal transaction, are presented separately, net of tax, from the results of continuing operations for all periods presented. The revenue and expenses included in the results of discontinued operations are the revenue and direct operating expenses incurred by the discontinued component that may be reasonably segregated from the revenue and costs of the ongoing operations of the Company. The assets and liabilities for the FireEye Products business have been accounted for as assets and liabilities held for sale in our consolidated balance sheets as the sale was completed on October 8, 2021. The operating results have been included in discontinued operations in our consolidated financial statements and excluded from continuing operations for all periods presented. The consolidated statement of cash flows presents combined cash flows from continuing operations with cash flows from discontinued operations within each cash flow statement category. The prior periods have been adjusted to reflect the assets and liabilities held for sale and discontinued operations.

Impairment of Long-Lived Assets

We evaluate events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances occur, we assess the recoverability of long-lived assets by determining whether or not the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future undiscounted cash flows is less than the carrying amount of an asset, we record an impairment charge for the amount by which the carrying amount of the assets exceeds the fair value of the asset. Through December 31, 2021 we have not written down any of our long-lived assets as a result of impairment.

Business Combinations

We have accounted for all of our acquisitions using the acquisition method. The Company allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired, based on their estimated fair values. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill.

When determining the fair value of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to identifiable intangible assets. Significant assumptions used in valuing certain identifiable intangible assets include, but are not limited to, expected long-term market growth, future expected operating expenses, costs of capital, and appropriate discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and, as a result, actual results may differ from estimates.

Goodwill and Purchased Intangible Assets

Goodwill represents the excess of the aggregate purchase price paid over the fair value of the net tangible and identifiable intangible assets acquired. In the valuation of our goodwill, we must make assumptions regarding estimated future cash flows to be derived from our business. If these estimates or their related assumptions change in the future, we may be required to record impairment for these assets. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company has determined that it operates as one reporting unit and has selected December 1 as the date to perform its annual impairment test.

We perform the impairment testing by first assessing qualitative factors to determine whether existence of events or circumstances leads to a determination that it is more likely than not that the fair value of its reporting unit is less than its carrying amount. In assessing the qualitative factors, we consider the impact of certain key factors including macroeconomic conditions, industry and market considerations, management turnover, changes in regulation, litigation matters, changes in enterprise value, and overall financial performance. If, after assessing the totality of events or circumstances, the Company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then it performs a quantitative assessment to determine whether there is any impairment. To calculate any potential impairment, the Company compares the fair value of a reporting unit with its carrying amount, including goodwill. There was no impairment of goodwill recorded for the years ended December 31, 2021, 2020 or 2019.

Purchased intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets. Purchased intangible assets with indefinite lives are assessed for potential impairment annually, or when events or circumstances indicate that their carrying amounts might be impaired.

Contract Balances

Accounts Receivable

Trade accounts receivable are recorded at the billable amount where we have the unconditional right to bill, net of allowances for doubtful accounts. The allowance for doubtful accounts is based on our assessment of the collectability of accounts. Management regularly reviews the adequacy of the allowance for doubtful accounts by considering the age of each outstanding invoice, each customer's expected ability to pay and collection history, when applicable, to determine whether a specific allowance is appropriate. Accounts receivable deemed uncollectible are charged against the allowance for doubtful accounts when identified.

Deferred Revenue (Contract Liabilities) and Contract Assets

Deferred revenue consists of amounts for which we have the unconditional right to bill, but have not been recognized as revenue because the related subscriptions or services have not been transferred. These amounts include non-refundable customer deposits that are prepaid for future performance obligations, such as delivery of our Expertise on Demand units and pre-paid retainers. Deferred revenue that will be realized during the succeeding 12-month period is recorded as current, and the remaining deferred revenue is recorded as non-current. Our contract assets consist of assets typically resulting from when revenue has been recognized but we do not have the right to bill the customer due to allocation of transaction price, and such amounts have been included in prepaid expenses and other current assets. Our contract assets were immaterial as of December 31, 2021 and 2020.

In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our solutions and services, not to receive financing from our customers or to provide customers with financing. Examples include invoicing at the beginning of a subscription term with revenue recognized ratably over the contract period.

Assets Recognized from Costs to Obtain a Contract with a Customer

Deferred Commissions

Our customer acquisition costs are primarily related to sales commissions and related payroll taxes earned by our sales force and such costs are considered incremental costs to obtain a contract. Sales commissions for

initial contracts are deferred and then amortized taking into consideration the pattern of transfer to which the asset relates and may include expected renewal periods where renewal commissions are not commensurate with the initial commissions period. We typically recognize the initial commissions over the longer of the customer relationship (generally estimated to be three years) or over the same period as the initial revenue arrangement to which these costs relate. Renewal commissions not commensurate with the initial commissions paid are generally amortized over the renewal period. Deferred commissions that will amortize within the succeeding twelve month period are classified as current, and included in prepaid expenses and other current assets on the consolidated balance sheets. The remaining balance is classified as non-current, and included in deposits and other long-term assets. As of December 31, 2021 and 2020, the amount of deferred commissions included in prepaid expenses and other current assets was \$23.9 million and \$14.3 million, respectively. The amount of deferred commissions included in deposits and other long-term assets as of December 31, 2021 and 2020 was \$21.4 million and \$11.4 million, respectively.

Revenue Recognition

Revenue from Contracts with Customers

Revenue is recognized when all of the following criteria are met:

- ***Identification of the contract, or contracts, with a customer*** — A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance and the parties are committed to perform, and (iii) we determine that collection of substantially all consideration to which it will be entitled in exchange for goods or services that will be transferred is probable based on the customer's intent and ability to pay the promised consideration.
- ***Identification of the performance obligations in the contract*** — Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, we apply judgment to determine whether promised goods or services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised goods or services are accounted for as a combined performance obligation.
- ***Determination of the transaction price*** — The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring goods or services to the customer adjusted for estimated variable consideration, if any. We typically estimate the transaction price impact of discounts offered to the customers for early payments on receivables or rebates based on channel partner sales achievements. Constraints are applied when estimating variable considerations based on historical experience where applicable.
- ***Allocation of the transaction price to the performance obligations in the contract*** — If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative SSP basis. Determination of SSP requires judgment. We determine standalone selling price taking into account available information such as historical selling prices of the performance obligation, geographic location, overall strategic pricing objective, market conditions and internally approved pricing guidelines related to the performance obligations.
- ***Recognition of revenue when, or as, we satisfy performance obligation*** — We satisfy performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognized at or over the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

Nature of Solutions and Services

We generate revenue from the sales of cloud based subscriptions, managed services and professional services, primarily through our indirect relationships with our partners or direct relationships with end customers through our direct sales force. We account for our performance obligations in accordance with Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, regarding Accounting Standards Codification Topic 606 (“ASC 606”), and all related interpretations.

Revenue from subscriptions to our cloud-based solutions, which allow customers to use our hosted security software over a contracted period without taking possession of the software and managed services where we provide managed detection and response services for customers, are recognized over the contractual term.

Professional services, which include incident response, security assessments, and other strategic security consulting services are offered on a time-and-materials basis or through fixed fee arrangements, and we recognize the associated revenue as the services are delivered.

Discontinued Operations

Revenue from discontinued operations was generated primarily from sales of network, email, endpoint security, Helix SIEM and Cloudvisory solutions deployed on a customer’s premises, either as an integrated security appliance or a distributed hybrid on-premise/private cloud configurations. As a single performance obligation, revenue from sales of appliance hardware and related subscriptions was recognized ratably over the contractual term, typically one to three years. Such contracts typically contained a material right of renewal option that allows the customer to renew their Dynamic Threat Intelligence (“DTI”) cloud and support subscriptions for an additional term at a discount to the original purchase price of the single performance obligation. For contracts that contained a material right of renewal option, the value of the performance obligation allocated to the renewal was recognized ratably over the period between the end of the initial contractual term and end of the estimated useful life of the related appliance and license. A small portion of our revenue in the product and related subscription and support revenue related to discontinued operations was derived from the sale of our network forensics appliances and our central management system appliances. These appliances were not dependent on regular security intelligence updates, and revenue from these appliances was therefore recognized when ownership was transferred to our customer, typically at shipment.

Advertising Costs

Advertising costs, which are expensed and included in sales and marketing expense when incurred, were \$10.9 million, \$4.2 million and \$3.2 million during the years ended December 31, 2021, 2020 and 2019, respectively.

Software Development Costs

The costs to develop internal-use software are subject to capitalization and begin amortizing once the software is substantially ready for use. These costs are included in property and equipment and are generally amortized over 3 years. All other software development costs are expensed as incurred and included in research and development expense on the Consolidated Statements of Operations.

Stock-Based Compensation

Compensation expense related to stock-based transactions, including employee and non-employee director awards and our 2013 Employee Stock Purchase Plan (the “ESPP”), is measured and recognized in the financial statements based on fair value. The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model and a single option award approach. This model requires that at the date of grant we determine the fair value of the underlying common stock, the expected term of the award, the expected volatility of the price of our common stock, risk-free interest rates, and expected dividend yield of our common stock. The fair value of restricted stock awards and restricted stock units is based on the closing market price of our common stock on the date of grant. The stock-based compensation expense is recognized using a straight-line basis over the requisite service period of the entire awards, which is generally

four years. Performance-based awards are subject to performance conditions. We recognize compensation expense over the requisite service period of each vesting tranche, when it becomes probable that the performance criteria set by our Board of Directors will be achieved.

We recognize forfeitures as they occur, and no longer estimate a forfeiture rate when calculating the stock-based compensation for our equity awards.

We account for stock options issued to non-employees based on the fair value of the awards determined using the Black-Scholes option-pricing model. The fair value of stock options granted to non-employees is remeasured as the stock options vest, and the resulting change in value, if any, is recognized in the statement of operations during the period the related services are rendered.

Income Taxes

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In addition, deferred tax assets are recorded to reflect the future benefit of utilizing net operating losses and research and development credit carry forwards. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized. We recognize taxes on Global Intangible Low-Taxed Income (“GILTI”) as a current period expense when incurred.

We apply the authoritative accounting guidance prescribing a threshold and measurement attribute for the financial recognition and measurement of a tax position taken or expected to be taken in a tax return. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation settlement. The second step is to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We recognize interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying consolidated statements of operations. Accrued interest and penalties are included within other long-term liabilities in the consolidated balance sheets.

Common Stock Repurchase Program

On June 2, 2021, we announced a stock repurchase program for the repurchase of up to \$500 million of our common stock. There is no expiration date on this authorization, and we may suspend, amend or discontinue the repurchase program at any time. During the year ended December 31, 2021, we cumulatively repurchased 16.8 million shares of our common stock for \$300.0 million, at an average repurchase price of approximately \$17.81 per share. The repurchases were recorded to additional paid-in capital as we are in an accumulated net deficit position.

Net Income (Loss) Per Share

We calculate our basic and diluted net income (loss) per share in conformity with the two-class method required for companies with participating securities based upon income (loss) from continuing operations. Under the two-class method, net income (loss) is determined by allocating undistributed earnings, calculated as net income (loss) less current period convertible preferred stock cumulative dividends, between common stock and the convertible preferred stock. In computing diluted net income, undistributed earnings are re-allocated to reflect the potential impact of dilutive securities. Our basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period. The diluted net loss per share attributable to common stockholders is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, convertible preferred stock, options to purchase common stock and convertible senior notes are considered common stock equivalents, but have been excluded from the calculation of diluted net loss per share as their effect is anti-dilutive.

Convertible Senior Notes

We allocated the principal amount of the Convertible Senior Notes between its liability and equity components. The carrying amount of the liability component was determined by measuring the fair value of

a similar debt instrument of similar credit quality and maturity that did not have the conversion feature. The carrying amount of the equity component, representing the embedded conversion option, was determined by deducting the fair value of the liability component from the principal amount of the Convertible Senior Notes as a whole. The equity component is included in additional paid-in-capital in consolidated balance sheets and is not remeasured as long as it continues to meet the conditions for equity classification. The excess of the principal amount of the Convertible Senior Notes over the carrying amount of the liability component was recorded as a debt discount, and is being amortized to interest expense using the effective interest method through the first date holders have the right to require us to repurchase all or any portion of their Convertible Senior Notes; the first put date (see Note 11, “Convertible Senior Notes”). We allocate the total amount of transaction costs incurred to the liability and equity components using the same proportions as the proceeds from the Convertible Senior Notes. Transaction costs attributable to the liability component were recorded as a direct deduction from the liability component of the Convertible Senior Notes, and are being amortized to interest expense using the effective interest method through the first put date. Transaction costs attributable to the equity component were netted with the equity component of the Convertible Senior Notes in additional paid-in capital.

Recently Adopted Accounting Pronouncements

Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract

In August 2018, the FASB issued ASU 2018-15, Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This standard requires capitalization of the implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Further, the standard also requires the Company to expense the capitalized implementation costs of a hosting arrangement over the term of the hosting arrangement. We adopted the standard effective January 1, 2020. The standard did not have a significant impact on our consolidated financial statements.

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued ASU 2017-04, Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This standard eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge (i.e. Step 2 of the current guidance), instead measuring the impairment charge as the excess of the reporting unit’s carrying amount over its fair value (i.e. Step 1 of the current guidance). We adopted the standard effective January 1, 2020. The standard did not have a significant impact on our consolidated financial statements.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This standard changes the impairment model for most financial assets and certain other instruments by introducing a current expected credit loss (“CECL”) model. The CECL model is a more forward-looking approach based on expected losses rather than incurred losses, requiring entities to estimate and record losses expected over the remaining contractual life of an asset. The guidance was effective for the Company beginning in the first quarter of 2020. We adopted the standard effective January 1, 2020. The standard did not have a significant impact on our consolidated financial statements.

Simplifying Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This standard simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Topic 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes

in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill and allocating consolidated income taxes to separate financial statements of entities not subject to income tax. ASU 2019-12 is effective for annual and interim periods in fiscal years beginning after December 15, 2020. Early adoption was permitted and we adopted ASU 2019-12 as of January 1, 2020. The adoption did not have a significant impact on our consolidated financial statements.

Recent Legislation

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted and signed into U.S. law to provide economic relief to individuals and businesses facing economic hardship as a result of the COVID-19 pandemic. Changes in tax laws or rates are accounted for in the period of enactment. The income tax provisions of the CARES Act do not have a significant impact on our current taxes, deferred taxes, or uncertain tax positions.

Recent Accounting Pronouncements Not Yet Adopted

In August 2020, the FASB issued ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06): This standard simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Among other changes, ASU 2020-06 removes from U.S. GAAP the liability and equity separation model for convertible instruments with a cash conversion feature, and as a result, after adoption, entities will no longer separately present in equity an embedded conversion feature for such debt. Similarly, the embedded conversion feature will no longer be amortized into income as interest expense over the life of the instrument. Instead, entities will account for a convertible debt instrument wholly as debt unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC Topic 815, Derivatives and Hedging, or (2) a convertible debt instrument was issued at a substantial premium. Among other potential impacts, this change is expected to reduce reported interest expense, increase reported net income, and result in a reclassification of certain conversion feature balance sheet amounts from stockholders' equity to liabilities as it relates to the Convertible Senior Notes. Additionally, ASU 2020-06 requires the application of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share (EPS), which is consistent with the Company's accounting treatment under the current standard. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted for fiscal years beginning after December 15, 2020, and can be adopted on either a fully retrospective or modified retrospective basis. We are adopting the standard on January 1, 2022, using the modified retrospective basis. We expect the adoption to result in an approximately \$200.0 million decrease to the opening balance of accumulated deficit, approximately \$270.0 million decrease to the opening balance of additional paid-in capital, and approximately \$70.0 million increase to the opening balance of the Convertible Senior Notes, net on the consolidated balance sheet.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. This standard requires an acquiring entity to apply Topic 606, Revenue from Contracts with Customers, to recognize and measure contract assets and contract liabilities in a business combination in a manner consistent with how the acquiree recognized and measured them in its preacquisition financial statements. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal year. Early adoption of the amendments is permitted, including adoption in an interim period. We are currently evaluating the timing and overall impact of this standard on our consolidated financial statements.

2. Discontinued Operations

Divestiture of FireEye Products business

On May 29, 2021, we entered into the Purchase Agreement, pursuant to which we agreed to sell the FireEye Products business to Trellix in exchange for total cash consideration of \$1.2 billion, which closed on October 8, 2021.

The following table presents the gain associated with the sale, presented in the results of our discontinued operations below (dollars in thousands):

Purchase price, net of adjustments ⁽¹⁾	\$1,129,261
Carrying value of net liabilities disposed of	115,220
Pre-tax gain on divestiture before transaction costs	1,244,481
Transaction costs ⁽²⁾	(29,766)
Pre-tax gain on divestiture of FireEye Products business	1,214,715
Income tax expense on gain on divestiture of FireEye Products business	(11,582)
Total gain on divestiture of FireEye Products business	<u>\$1,203,133</u>

- (1) Upon the closing of the sale on October 8, 2021, we received the initial purchase price of \$1.2 billion, which reflects the \$1.2 billion purchase price, adjusted for cash balances transferred to Trellix. We entered into a Reseller and Market Cooperation Agreement (“RSA”) with Trellix, described further below. We determined that the terms of the RSA are off-market. Accordingly, the purchase price was adjusted by \$38.5 million, which represented the fair value of the off-market component of the RSA. The Company agreed to reimburse Trellix for certain unvested equity awards liability pertaining to transferred employees which will now be paid by Trellix to such employees in cash over an eighteen-month period. The maximum amount of reimbursement shall not exceed \$40.0 million and this has been recorded as an adjustment to the purchase price. A similar adjustment has been made for reimbursement for stamp duty liability transferred to Trellix for \$2.2 million.
- (2) Transaction costs of \$29.8 million primarily relate to commission, legal fees, third-party consulting, accounting fees and other costs to facilitate the separation of the FireEye Products business. These costs are recorded within net income from discontinued operations, net of income taxes, in the consolidated statements of operations.

The following table summarizes the carrying value of assets and liabilities sold (dollars in thousands):

Cash and cash equivalents	\$ 2,475
Accounts receivable, net of allowance for doubtful accounts of \$924	81,648
Inventories	7,593
Prepaid expenses and other current assets	64,335
Property and equipment, net	30,602
Operating lease right-of-use assets, net	2,643
Goodwill	313,873
Intangible assets, net	4,292
Deposits and other long-term assets	53,246
Accounts payable	(14,381)
Accrued and other current liabilities	(3,783)
Deferred revenue, current	(636,118)
Operating lease liabilities	(2,647)
Accrued compensation	(18,998)
Total net liabilities sold	<u>\$(115,220)</u>

At the closing of the sale of the FireEye Products business on October 8, 2021, we entered into a Transition Services Agreement (“TSA”) with Trellix. The TSA is designed to ensure and facilitate an orderly transfer of business operations. The services provided by us under the TSA will run up to 18 months following the closing, subject to the ability of Trellix to earlier terminate any such services. Income for the TSA was \$12.9 million and expenses were \$11.1 million for the year ended December 31, 2021 and was recorded as part of other income (expense), net in our consolidated statements of operations.

Discontinued Operations

The following table presents the aggregate amounts of the classes of assets and liabilities of the FireEye Products business classified as discontinued operations (dollars in thousands):

	December 31, 2020
MAJOR CLASSES OF ASSETS	
Current:	
Cash and cash equivalents	\$ 3,220
Accounts receivable, net of allowance for doubtful accounts of \$1,334	83,012
Inventories	4,023
Prepaid expenses and other current assets	63,699
Total current assets held for sale	<u>153,954</u>
Non-current:	
Property and equipment, net	15,434
Goodwill	313,924
Intangible assets, net	5,512
Deposits and other long-term assets	56,580
Operating lease right-of-use assets, net	1,524
Total assets classified as held for sale	<u><u>\$546,928</u></u>
MAJOR CLASSES OF LIABILITIES	
Current:	
Accounts payable	\$ 1,080
Accrued and other current liabilities	3,510
Deferred revenue, current	387,353
Operating lease liabilities	1,468
Accrued compensation	23,880
Total current liabilities held for sale	<u>417,291</u>
Non-current:	
Deferred revenue, non-current	284,851
Operating lease liabilities	400
Total liabilities classified as held for sale	<u><u>\$702,542</u></u>
Commitments and contingencies	
Contract manufacturer commitments	\$ 5,996

The following table summarizes the results of the discontinued operations (dollars in thousands):

	Year Ended December 31,		
	2021	2020	2019
MAJOR LINE ITEMS CONSTITUTING NET INCOME			
Revenue from discontinued operations	\$ 409,658	\$540,876	\$557,783
Cost of revenue	84,515	119,079	116,169
Research and development	88,159	119,467	154,277
Sales and marketing	110,423	152,436	158,597
Restructuring charges	—	5,423	—
Net income from discontinued operations before income taxes	<u>\$ 126,561</u>	<u>\$144,471</u>	<u>\$128,740</u>
Pre-tax gain on divestiture of FireEye Products business	1,214,715	—	—
Income before income taxes	1,341,276	144,471	128,740
Provision for income taxes	13,035	2,434	23,229
Net income from discontinued operations, net of income taxes	<u><u>\$1,328,241</u></u>	<u><u>\$142,037</u></u>	<u><u>\$105,511</u></u>

Provision for income tax of discontinued operations was \$13.0 million for the year ended December 31, 2021, which includes \$11.6 million of income tax expense pertaining to the gain on divestiture of the FireEye Products business. The remaining \$1.4 million of tax expense is primarily attributable to income taxes on our foreign entities remunerated on a cost-plus basis and withholding taxes.

In October 2021, an amendment to the Purchase Agreement with Trellex for the purchase of the FireEye Products business was executed. The amendment modified certain provisions regarding assets and liabilities to be transferred, the timing and procedures for transfer of certain assets in foreign jurisdictions and certain employees, in connection with the sale. The amendments also include certain other modifications or clarifications of the Purchase Agreement. Per the amendments, our December 31, 2020 consolidated balance sheet reflects changes in the assets and liabilities that were determined to be part of discontinued operations. These changes are reflected in the information presented above and all relevant disclosures.

The following table presents significant non-cash items and capital expenditures of discontinued operations:

	Year Ended December 31,		
	2021	2020	2019
Depreciation	\$ 4,498	\$11,589	\$15,459
Amortization	1,220	4,606	5,463
Additions to property and equipment	15,980	7,726	14,342

3. Fair Value Measurements

The accounting guidance for fair value measurements provides a framework for measuring fair value on either a recurring or nonrecurring basis, whereby the inputs used in our valuation techniques are assigned a hierarchical level. The following are the three levels of inputs to measure fair value:

- *Level 1:* Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Inputs that reflect quoted prices for identical assets or liabilities in less active markets; quoted prices for similar assets or liabilities in active markets; benchmark yields, reported trades, broker/dealer quotes, inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- *Level 3:* Unobservable inputs that reflect our own assumptions incorporated in valuation techniques used to measure fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

We consider an active market to be one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis, and consider an inactive market to be one in which there are infrequent or few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers. Where appropriate, our own or the counterparty's non-performance risk is considered in measuring the fair values of assets.

The following table presents our assets and liabilities measured at fair value on a recurring basis using the above input categories (in thousands):

Description	As of December 31, 2021				As of December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents:								
Money market funds	\$309,468	\$ —	\$ —	\$ 309,468	\$32,954	\$ —	\$ —	\$ 32,954
Commercial paper	—	179,964	—	179,964	—	—	—	—
Corporate notes and bonds . .	—	8,194	—	8,194	—	—	—	—
U.S. Treasuries	—	149,998	—	149,998	—	—	—	—
Total cash equivalents	\$309,468	\$ 338,156	\$ —	\$ 647,624	\$32,954	\$ —	\$ —	\$ 32,954
Short-term investments:								
Certificates of deposit	—	6,814	—	6,814	—	2,752	—	2,752
Commercial paper	—	9,994	—	9,994	—	19,994	—	19,994
Corporate notes and bonds . .	—	649,408	—	649,408	—	437,652	—	437,652
U.S. Treasuries	—	157,342	—	157,342	—	74,934	—	74,934
U.S. Government agencies . .	—	215,781	—	215,781	—	89,492	—	89,492
Total short-term investments	\$ —	\$1,039,339	\$ —	\$1,039,339	\$ —	\$624,824	\$ —	\$624,824
Total assets measured at fair value	\$309,468	\$1,377,495	\$ —	\$1,686,963	\$32,954	\$624,824	\$ —	\$657,778

Additionally, we have a restructuring liability related to certain real estate facilities which was calculated based on the present value of future lease payments, less estimated sublease income, discounted at a rate commensurate with our current cost of financing. This non-recurring fair value measurement is considered to be a Level 3 measurement due to the use of significant unobservable inputs. To the extent that actual sublease income or the timing of subleasing these facilities is different than initial estimates, we will adjust the restructuring liability in the period during which such information becomes known. See Note 7, “Restructuring Charges,” for a reconciliation of this liability.

We measure certain assets, including goodwill, intangible assets and our equity-method investment in a privately held company at fair value on a nonrecurring basis when there are identifiable events or changes in circumstances that may have a significant adverse impact on the fair value of these assets.

The estimated fair value of the Convertible Senior Notes as of December 31, 2021 was determined to be \$1.0 billion, based on quoted market prices. We consider the fair value of the Convertible Senior Notes to be a Level 2 measurement as they are not actively traded.

4. Investments

Our investments consisted of the following (in thousands):

	As of December 31, 2021					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cash and Cash Equivalents	Short-Term Investments
Certificates of deposit	\$ 6,814	\$ 21	\$ (21)	\$ 6,814	\$ —	\$ 6,814
Commercial paper	189,958	6	(6)	189,958	179,964	9,994
Corporate notes and bonds . . .	658,317	\$626	(1,341)	657,602	8,194	649,408
U.S. Treasuries	307,634	—	(294)	307,340	149,998	157,342
U.S. Government agencies	216,437	1	(657)	215,781	—	215,781
Total	\$1,379,160	\$654	\$(2,319)	\$1,377,495	\$338,156	\$1,039,339

As of December 31, 2020

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cash and Cash Equivalents	Short-Term Investments
Certificates of deposit	\$ 2,679	\$ 73	\$ —	\$ 2,752	\$ —	\$ 2,752
Commercial paper	19,994	—	—	19,994	—	19,994
Corporate notes and bonds	433,445	4,248	(41)	437,652	—	437,652
U.S. Treasuries	74,914	26	(6)	74,934	—	74,934
U.S. Government agencies	89,451	54	(13)	89,492	—	89,492
Total	<u>\$620,483</u>	<u>\$4,401</u>	<u>\$(60)</u>	<u>\$624,824</u>	<u>\$ —</u>	<u>\$624,824</u>

The following tables present the gross unrealized losses and related fair values of our investments that have been in a continuous unrealized loss position (in thousands):

As of December 31, 2021

	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Certificates of deposit	\$ 4,846	\$ (21)	\$ —	\$ —	\$ 4,846	\$ (21)
Commercial paper	99,975	(6)	—	—	99,975	(6)
Corporate notes and bonds	454,374	(1,334)	7,576	(7)	461,950	(1,341)
U.S. Treasuries	207,341	(294)	—	—	207,341	(294)
U.S. Government agencies	200,795	(642)	9,985	(15)	210,780	(657)
Total	<u>\$967,331</u>	<u>\$(2,297)</u>	<u>\$17,561</u>	<u>\$(22)</u>	<u>\$984,892</u>	<u>\$(2,319)</u>

As of December 31, 2020

	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Certificates of deposit	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial paper	4,997	—	—	—	4,997	—
Corporate notes and bonds	92,855	(41)	870	—	93,725	(41)
U.S. Treasuries	42,799	(6)	—	—	42,799	(6)
U.S. Government agencies	37,488	(13)	1,700	—	39,188	(13)
Total	<u>\$178,139</u>	<u>\$(60)</u>	<u>\$2,570</u>	<u>\$ —</u>	<u>\$180,709</u>	<u>\$(60)</u>

Unrealized losses related to these investments are due to interest rate fluctuations as opposed to credit quality. In addition, we do not intend to sell, and it is not more likely than not that we would be required to sell, these investments before recovery of their cost basis. As a result, there is no other-than-temporary impairment for these investments as of December 31, 2021 and 2020.

The following table summarizes the contractual maturities of our investments at December 31, 2021 (in thousands):

	Amortized Cost	Fair Value
Due within one year	\$ 538,939	\$ 539,302
Due within one to three years	502,064	500,037
Total	<u>\$1,041,003</u>	<u>\$1,039,339</u>

All available-for-sale securities have been classified as current, based on management's intent and ability to use the funds in current operations.

5. Property and Equipment

Property and equipment, net consisted of the following (in thousands):

	As of December 31,	
	2021	2020
Computer equipment and software	\$ 98,163	\$ 139,147
Leasehold improvements	21,002	56,401
Furniture and fixtures	6,026	12,955
Machinery and equipment	16	160
Total property and equipment	\$125,207	\$ 208,663
Less: accumulated depreciation	(78,878)	(144,327)
Total property and equipment, net	<u>\$ 46,329</u>	<u>\$ 64,336</u>

During the years ended December 31, 2021, 2020 and 2019 we capitalized \$16.6 million, \$11.2 million and \$8.2 million, respectively, of software development costs related to our platform and cloud subscription offerings. Amortization expense related to capitalized software development costs during the years ended December 31, 2021, 2020 and 2019 was \$11.6 million, \$10.5 million and \$5.7 million, respectively.

Depreciation expense related to property and equipment during the years ended December 31, 2021, 2020 and 2019 was \$26.5 million, \$24.0 million and \$21.1 million, respectively.

6. Business Combinations

Acquisition of Verodin

On May 28, 2019, we acquired all outstanding shares of privately held Verodin, a security instrumentation platform company. We have incorporated Verodin technology into our platform and analytics capabilities. In connection with this acquisition, we paid cash consideration of \$143.7 million and issued 8,404,609 shares of our common stock with an estimated fair value of \$119.7 million. We also assumed unvested stock options, which are now exercisable for our common stock, of which \$1.5 million of the fair value has been accounted for as consideration for assumed awards pertaining to pre-combination service prior to acquisition. Based on the above, total purchase consideration for Verodin was \$264.9 million.

The acquisition of Verodin was accounted for in accordance with the acquisition method of accounting for business combinations with Mandiant as the accounting acquirer. We expensed the related acquisition costs of \$0.6 million in general and administrative expenses. Under the acquisition method of accounting, the total purchase consideration is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The total purchase price of \$264.9 million was allocated using information currently available to us. Pro forma financial information has not been presented for this acquisition as the impact to our consolidated financial statements was not material. Allocation of the purchase price is as follows (in thousands):

	Amount
Net tangible assets assumed	\$ 15,036
Intangible assets	45,200
Deferred tax liability	(1,152)
Goodwill	205,798
Total purchase price allocation	<u>\$264,882</u>

The purchase price exceeded the fair value of the net tangible assets and identifiable intangible assets acquired, resulting in the recognition of goodwill. Goodwill is primarily attributable to expected synergies in our subscription offerings and cross-selling opportunities. None of the goodwill is expected to be deductible for U.S. federal income tax purposes.

Intangible assets consist primarily of developed technology, customer relationships, trade name and contract backlog. Intangible assets attributable to developed technology include a combination of patented and unpatented technology, trade secrets, computer software and research processes that represent the foundation for the existing and planned new products to facilitate the generation of new content. Customer relationship intangibles relate to Verodin's ability to sell current and future content, as well as products built around this content, to its existing customers. Trade name is attributable to marketing goods and services under the Verodin brand. Contract backlog pertains to unbilled and unrecognized contracts yet to be fulfilled.

The estimated useful life and fair values of the identifiable intangible assets are as follows (dollars in thousands):

	Useful Life (in years)	Amount
Developed technology	5	\$38,300
Customer relationships	5	4,600
Trade name	5	1,600
Contract backlog	2	700
Total identifiable intangible assets		<u>\$45,200</u>

The value of developed technology was estimated using the excess earnings method, an income approach (Level 3), which converts projected revenues and costs into cash flows. To reflect the fact that certain other assets contribute to the cash flows generated, the returns for these contributory assets were removed to arrive at estimated cash flows solely attributable to the acquired technology, which were discounted at a rate of 12% to determine the fair value.

The value of customer relationships was estimated using the cost savings method, an income level approach (Level 3), which estimates the value of an asset based upon costs avoided through ownership of the asset. Estimated costs on projected revenues, excluding acquired contract backlog, were made using historical data pertaining to sales to new and existing customers. The cash flow impact of projected cost savings, primarily avoidance of legal costs pertaining to new customers and lower commission rates applicable to existing customers than new customers, were discounted at a rate of 11% to determine the fair value.

The value of the trade name was estimated using the relief-from-royalty method, an income approach (Level 3), which estimates the cost savings that accrue to the owner of the intangibles asset that would otherwise be payable as royalties or license fees on revenues earned through the use of the asset. A royalty rate was applied to the projected revenues associated with the intangible asset to determine the amount of savings, which was at a rate of 12% to determine the fair value.

The value of the contract backlog was estimated by discounting estimated cash flows from existing orders, an income level approach (Level 3). Using expected timing of backlog revenue realization by quarter, the cash flow estimates resulting therefrom were reduced by estimated fulfillment costs associated with completing the backlog obligations, and the net cash flows were then discounted at a rate of 8% to determine fair value.

Discount rates for each respective intangible asset were determined by accounting for the risk associated with each asset, including required technology development and customer acquisition required to support respective projections, the uncertainty of market success and the risk inherent with projected financial results. The estimated useful lives were determined by evaluating the expected economic and useful lives of the assets and of similar intangible assets from previous business combinations and adjusting accordingly after taking into account circumstances that may be unique to Verodin. Net tangible assets and intangibles assets assumed as well as goodwill recognized are presented as continuing operations in the consolidated balance sheets.

Acquisition of Cloudvisory LLC

On January 17, 2020, we acquired Cloudvisory, a provider of cloud visibility and control solutions. As consideration for the acquisition, we paid \$13.2 million in cash. In addition, we assumed \$0.3 million in net tangible liabilities.

The acquisition of Cloudvisory was accounted for in accordance with the acquisition method of accounting for business combinations with Mandiant as the accounting acquirer. Under the acquisition method of accounting, the total purchase consideration is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The total purchase price of \$13.2 million was allocated using the information available to us. The results of operations of Cloudvisory have been included in our consolidated statements of operations from the acquisition date, though revenue and net income from Cloudvisory were not material for the year ended December 31, 2020. Transaction costs were immaterial and expensed as incurred. Pro forma financial information has not been presented for this acquisition as the impact to our consolidated financial statements was not material. Allocation of the purchase price is as follows (in thousands):

	<u>Amount</u>
Net tangible liabilities assumed	\$ (288)
Intangible assets	5,650
Goodwill	7,846
Total purchase price allocation	<u>\$13,208</u>

The purchase price exceeded the fair value of the net tangible liabilities and identifiable intangible assets acquired, resulting in the recognition of goodwill. Goodwill is primarily attributable to expected synergies in our subscription offerings and cross-selling opportunities. The goodwill generated as a result of the Cloudvisory acquisition is deductible for tax purposes.

Intangible assets consist primarily of developed technology and trade name. Intangible assets attributable to developed technology include a combination of patented and unpatented technology, trade secrets, computer software and research processes that represent the foundation for the existing and planned new products to facilitate the generation of new content. Trade name is attributable to marketing goods and services under the Cloudvisory brand.

The estimated useful life and fair values of the identifiable intangible assets are as follows (dollars in thousands):

	<u>Estimated Useful Life (in years)</u>	<u>Amount</u>
Developed technology	3	\$5,500
Trade name	1	150
Total identifiable intangible assets		<u>\$5,650</u>

The value of developed technology was estimated using the excess earnings method, an income approach (Level 3), which converts projected revenues and costs into cash flows. To reflect the fact that certain other assets contribute to the cash flows generated, the returns for these contributory assets were removed to arrive at estimated cash flows solely attributable to the acquired technology, which were discounted at a rate of 35% to determine the fair value.

The value of the trade name was estimated using the relief-from-royalty method, an income approach (Level 3), which estimates the cost savings that accrue to the owner of the intangibles asset that would otherwise be payable as royalties or license fees on revenues earned through the use of the asset. A royalty rate of 1% was applied to the projected revenues associated with the intangible asset to determine the amount of savings using a discount rate of 35% to determine the fair value.

Discount rates for each respective intangible asset were determined by accounting for the risk associated with each asset, including required technology development necessary to support respective projections, the uncertainty of market success and the risk inherent with projected financial results. The estimated useful lives were determined by evaluating the expected economic and useful lives of the assets and of similar intangible assets from previous business combinations and adjusting accordingly for circumstances that may be unique to Cloudvisory.

The intangible assets acquired and net tangible liability assumed in this acquisition are reported as held for sale in the consolidated balance sheets. A portion of the goodwill generated by the Cloudvisory acquisition amounting to \$1.8 million was allocated to the FireEye Products business based on relative fair value and is reported as held for sale.

Acquisition of Respond Software

In November 2020, we acquired all outstanding shares of privately held Respond Software, a cybersecurity investigation automation company. The acquisition of Respond Software, a leader in automation of XDR, is intended to add significant capabilities to our Mandiant Advantage platform by automating threat detection and reducing the amount of analyst time necessary to investigate threats due to the reduction in false positives as well as to accelerate Respond Software's learning models with our unique expertise and Intel. In connection with this acquisition, we paid cash consideration of \$116.1 million and issued 4,931,862 shares of our common stock of which 694,768 shares are subject to vesting conditions. The estimated fair value of the common stock issued and not subject to vesting conditions was \$60.3 million. We also assumed unvested stock options, which are now exercisable for our common stock, of which \$1.2 million of the fair value has been accounted for as consideration for assumed awards pertaining to pre-combination service prior to acquisition. Based on the above, total purchase consideration for Respond Software was \$177.6 million.

The acquisition of Respond Software was accounted for in accordance with the acquisition method of accounting for business combinations with Mandiant as the accounting acquirer. Under the acquisition method of accounting, the total purchase consideration is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The total purchase price of \$177.6 million was allocated using the information available to us. The results of operations of Respond Software have been included in our consolidated statements of operations from the acquisition date, and revenue and net income from Respond Software were not material for the year ended December 31, 2021. Transaction costs were immaterial and expensed as incurred. Pro forma financial information has not been presented for this acquisition as the impact to our consolidated financial statements was not material. Allocation of the purchase price is as follows (in thousands):

	<u>Amount</u>
Net tangible liabilities assumed	\$ (4,551)
Intangible assets	31,880
Deferred tax liability	(900)
Goodwill	151,168
Total purchase price allocation	<u>\$177,597</u>

The purchase price exceeded the fair value of the net tangible liabilities and identifiable intangible assets acquired, resulting in the recognition of goodwill. Goodwill is primarily attributable to expected synergies in our subscription offerings and cross-selling opportunities. The goodwill is not expected to be deductible for U.S. income tax purposes.

Intangible assets consist primarily of developed technology, in-process technology, customer relationships and trade name. Intangible assets attributable to developed technology include a combination of patented and unpatented technology, trade secrets, computer software and research processes that represent the foundation for the existing and planned new products to facilitate the generation of new content. Customer relationship intangibles relate to Respond Software's ability to sell current and future content, as well as products built around this content, to its existing customers. Trade name is attributable to marketing goods and services under the Respond Software brand.

The estimated useful life and fair values of the identifiable intangible assets are as follows (dollars in thousands):

	Estimated Useful Life (in years)	Amount
Developed technology	5	\$22,300
In-Process technology	4	2,200
Customer relationships	5	6,760
Trade name	2	620
Total identifiable intangible assets		<u>\$31,880</u>

The value of developed technology was estimated using the excess earnings method, an income approach (Level 3), which converts projected revenues and costs into cash flows. To reflect the fact that certain other assets contribute to the cash flows generated, the returns for these contributory assets were removed to arrive at estimated cash flows solely attributable to the acquired technology, which were discounted at a rate of 12% to determine the fair value.

The value of in-process technology was estimated using the excess earnings method, an income approach (Level 3), which converts projected revenues and costs into cash flows. To reflect the fact that certain other assets contribute to the cash flows generated, the returns for these contributory assets were removed to arrive at estimated cash flows solely attributable to the acquired technology, which were discounted at a rate of 13% to determine the fair value.

The value of customer relationships was estimated using the “with and without” version of the Income Approach, which measures the difference between cash flows generated assuming the existence of the current customer relationships and the cash flows assuming those relationships do not exist and are replaced over time. Estimated costs on projected revenues, excluding acquired contract backlog, were made using historical data pertaining to sales to new and existing customers. The cash flow impact of projected cost savings, primarily avoidance of legal costs pertaining to new customers and lower commission rates applicable to existing customers than new customers, were discounted at a rate of 11% to determine the fair value.

The value of the trade name was estimated using the relief-from-royalty method, an income approach (Level 3), which estimates the cost savings that accrue to the owner of the intangibles asset that would otherwise be payable as royalties or license fees on revenues earned through the use of the asset. A royalty rate of 1% was applied to the projected revenues associated with the intangible asset to determine the amount of savings using a discount rate of 12% to determine the fair value.

Discount rates for each respective intangible asset were determined by accounting for the risk associated with each asset, including required technology development necessary to support respective projections, the uncertainty of market success and the risk inherent with projected financial results. The estimated useful lives were determined by evaluating the expected economic and useful lives of the assets and of similar intangible assets from previous business combinations and adjusting accordingly for circumstances that may be unique to Respond Software.

A portion of the goodwill generated by the Respond Software acquisition was allocated to the FireEye Products business based on relative fair value and was reported as held for sale. The amount of Respond Software goodwill reported as held for sale is \$34.8 million. The intangible assets acquired and the net tangible liabilities assumed were retained in the sale of the FireEye Products business and are presented as continuing operations in the consolidated balance sheets.

Acquisition of Intrigue Software

On August 4, 2021, we acquired Intrigue, a privately-held company, for cash consideration of approximately \$12.3 million. Intrigue’s attack surface management technology will be integrated into the Mandiant Advantage platform, enabling organizations to discover, monitor and manage risk across their entire attack surface.

The acquisition of Intrigue was accounted for in accordance with the acquisition method of accounting for business combinations with Mandiant as the accounting acquirer. Under the acquisition method of accounting, the total purchase consideration is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The total purchase price of \$12.3 million was allocated using the information available to us. The results of operations of Intrigue have been included in our consolidated statements of operations from the acquisition date. Transaction costs were immaterial and expensed as incurred. Proforma financial information has not been presented for this acquisition as the impact to our consolidated financial statements was not material. Preliminary allocation of the purchase price is as follows (in thousands):

	<u>Amount</u>
Net tangible liabilities assumed	\$ 143
Intangible assets	3,400
Deferred tax liability	(513)
Goodwill	9,230
Total preliminary purchase price allocation	<u>\$12,260</u>

The purchase price exceeded the fair value of the net tangible liabilities assumed and identifiable intangible assets acquired, resulting in the recognition of goodwill. Goodwill is primarily attributable to expected synergies in our subscription offerings and cross-selling opportunities. The goodwill generated as a result of the Intrigue acquisition is not deductible for tax purposes.

Intangible assets consist primarily of developed technology. Intangible assets attributable to developed technology include a combination of patented and unpatented technology, trade secrets, computer software and research processes that represent the foundation for the existing and planned new products to facilitate the generation of new content.

The estimated useful life and fair values of the identifiable intangible assets are as follows (in thousands):

	<u>Preliminary Estimated Useful Life (in years)</u>	<u>Amount</u>
Developed technology	3	\$3,400
Total identifiable intangible assets		<u>\$3,400</u>

The value of developed technology was estimated using the excess earnings method, an income approach (Level 3), which converts projected revenues and costs into cash flows. To reflect the fact that certain other assets contribute to the cash flows generated, the returns for these contributory assets were removed to arrive at estimated cash flows solely attributable to the acquired technology, which were discounted at a rate of 40% to determine the fair value.

The discount rate was determined by accounting for the risk associated with the asset, including required technology development necessary to support respective projections, the uncertainty of market success and the risk inherent with projected financial results. The estimated useful life was determined by evaluating the expected economic and useful lives of the asset and of similar intangible assets from previous business combinations and adjusting accordingly for circumstances that may be unique to Intrigue.

Net tangible liabilities assumed and intangibles assets acquired as well as goodwill recognized are presented as continuing operations in the consolidated balance sheets.

Goodwill and Purchased Intangible Assets

Goodwill and purchased intangible assets held for sale pursuant to our agreement to sell the FireEye Products business to Trellix were included in assets held for sale in our consolidated balance sheets as of December 31, 2020, and accordingly, are excluded from the amounts shown in the tables below.

Changes in the carrying amount of goodwill for the years ended December 31, 2021 and 2020 were as follows (in thousands):

	<u>Amount</u>
Balance as of December 31, 2019	\$ 928,075
Goodwill acquired	122,887
Balance as of December 31, 2020	<u>\$1,050,962</u>
Goodwill acquired	9,061
Balance as of December 31, 2021	<u><u>\$1,060,023</u></u>

Purchased intangible assets consisted of the following (in thousands):

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
Developed technology	\$ 150,893	\$ 147,493
Content	158,700	158,700
Customer relationships	112,360	112,360
Contract backlog	13,200	13,200
Trade names	17,720	17,720
Non-competition agreements	1,100	1,100
Total intangible assets	<u>\$ 453,973</u>	<u>450,573</u>
Less: accumulated amortization	<u>(374,462)</u>	<u>(330,018)</u>
Total net intangible assets	<u><u>\$ 79,511</u></u>	<u><u>\$ 120,555</u></u>

Amortization expense of intangible assets during the years ended December 31, 2021, 2020 and 2019 was \$44.4 million, \$41.3 million and \$48.5 million, respectively.

The expected future annual amortization expense of intangible assets as of December 31, 2021 is presented below (in thousands):

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$34,439
2023	29,421
2024	10,566
2025	5,085
2026	—
2027 and thereafter	—
Total	<u><u>\$79,511</u></u>

7. Restructuring Charges

In January 2019, we implemented a restructuring plan designed primarily to align our resources with the strategic growth initiatives of the business. This restructuring plan resulted in a reduction of less than 2% of our total workforce as of March 31, 2019, as well as exiting and downsizing of certain real estate facilities. In August 2019, we implemented an additional restructuring plan to further align our resources with the strategic growth initiatives of the business, which related primarily to employee severance charges and other termination benefits as well as costs associated with exiting certain real estate facilities.

In January 2020, we implemented a restructuring plan designed primarily to align our resources and investments with the strategic growth initiatives of the business. This restructuring plan resulted in a reduction of less than 2% of our total workforce as of March 31, 2020 as well as the impairment of certain long lived assets.

In April 2020, we implemented another restructuring plan to streamline the Company's operations to align expenses more closely to the Company's projected revenue, position the Company for improved operating performance and allow the Company to increase investment in strategic growth areas of the business. This restructuring plan resulted in the reduction of 6% of the Company's workforce.

In August and December 2020, we implemented additional restructuring plans, predominantly related to facilities and obsolete assets in order to position the Company for improved operating performance. These August and December 2020 restructuring plans resulted in the reduction of approximately 1% of the Company's workforce.

The majority of restructuring charges for the year ended December 31, 2021 are related to the decommissioning of our Milpitas, California office space and relocation of our corporate headquarters to Reston, Virginia. The total restructuring charges during the year ended December 31, 2021 of \$34.6 million includes \$6.6 million of cash charges which primarily consists of \$6.9 million in provision for restructuring charges offset by \$0.3 million in other adjustments. In addition, there are non-cash charges of \$27.7 million related to fixed asset and right-of-use asset write-offs and stock-based compensation.

The following table sets forth the restructuring balance as of December 31, 2019 related to previous restructuring activities and a summary of restructuring activities during the years ended December 31, 2021 and 2020 (in thousands):

	Severance and related costs	Facilities costs	Total costs
Balance at December 31, 2019	\$ 164	\$ 470	\$ 634
Provision for restructuring charges	15,148	276	15,424
Cash payments	(17,678)	(196)	(17,874)
Other adjustments	2,936	(72)	2,864
Balance at December 31, 2020	\$ 570	\$ 478	\$ 1,048
Provision for restructuring charges	2,543	4,328	6,871
Cash payments	(2,333)	(569)	(2,902)
Other adjustments	(301)	(9)	(310)
Balance at December 31, 2021	<u>\$ 479</u>	<u>\$4,228</u>	<u>\$ 4,707</u>

Other adjustments of negative \$0.3 million and positive \$2.9 million for the year ended December 31, 2021 and 2020 respectively, primarily represented relief of unused benefits, changes in fair value and foreign currency fluctuations.

The remaining restructuring balance of \$4.7 million at December 31, 2021 is primarily composed of \$4.2 million non-cancelable lease costs, which we expect to pay over the terms of the related obligations through the first quarter of 2023, net of sublease income and \$0.5 million of severance costs.

8. Deferred Commissions

We capitalize most of our commission expenses and related payroll taxes and amortize them on a systematic basis that is consistent with the transfer to the customer of the subscriptions or services to which the asset relates. Changes in the balance of total deferred commissions presented in accrued and other current liabilities and other long-term liabilities on the consolidated balance sheets for the periods presented are as follows (in thousands):

	Deferred Commissions
Balance at December 31, 2019	\$ 24,666
Commissions capitalized	20,886
Commissions recognized	<u>(19,892)</u>
Balance at December 31, 2020	25,660
Commissions capitalized	48,231
Commissions recognized	<u>(28,546)</u>
Balance at December 31, 2021	<u><u>\$ 45,345</u></u>

9. Leases

We have operating leases primarily for corporate offices. Our leases have remaining lease terms of one to eleven years, some of which include options to extend the leases for up to five years, and some of which include options to terminate the leases within one year. We do not include renewal options in our lease terms for calculating our lease liability, as the renewal options allow us to maintain operational flexibility and we are not reasonably certain we will exercise these renewal options at the time of the lease commencement.

Operating leases to our discontinued operations were included in assets held for sale in our consolidated balance sheets as of December 31, 2020, and accordingly, are excluded from the tables below.

The components of lease expenses were as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Operating lease costs	\$13,198	\$14,831
Short-term lease costs	1,590	1,861
Sublease income	<u>(889)</u>	<u>(942)</u>
Total net lease costs	<u><u>\$13,899</u></u>	<u><u>\$15,750</u></u>

Supplemental balance sheet information related to leases is as follows (in thousands, except lease term and discount rate):

	As of December 31,	
	2021	2020
Operating leases:		
Operating lease right-of-use assets, net	\$25,768	\$36,728
Operating lease liabilities, current	\$13,306	\$14,556
Operating lease liabilities, non-current	<u>52,132</u>	<u>41,802</u>
Total operating lease liabilities	<u><u>\$65,438</u></u>	<u><u>\$56,358</u></u>
Weighted average remaining lease term (in years)	6.8	5.6
Weighted average discount rate	6.0%	6.7%

The ROU assets and the short-term and long-term lease liabilities from our operating leases are included in other assets, accrued liabilities and other liabilities in our consolidated balance sheets, respectively.

Supplemental cash flow and other information related to leases is as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$16,731	\$17,969
Lease liabilities arising from obtaining right-of-use assets:		
Operating leases	\$11,683	\$ 478

Cash flows of operating lease liabilities are as follows (in thousands):

Years Ending December 31,	Amount
2022	\$ 13,839
2023	12,904
2024	11,411
2025	10,627
2026	10,596
2027 and thereafter	20,254
Total lease payments	\$ 79,631
Less: Imputed interest	\$(14,193)
Total lease obligation	\$ 65,438
Less: Current lease obligations	(13,306)
Long-term lease obligations	\$ 52,132

As of December 31, 2021, we have an additional operating lease commitment that has not yet commenced of \$3.1 million for an office lease. The operating lease will commence in the first quarter of 2022 with lease term of 4.3 years.

10. Deferred Revenue

Deferred revenue held for sale related to our discontinued operations was included in liabilities held for sale in our condensed consolidated balance sheets as of December 31, 2020, and accordingly, is excluded from the amounts shown in the tables below.

Deferred revenue as of December 31, 2021 and 2020 consisted of the following (in thousands):

	As of December 31, 2021	As of December 31, 2020
Platform, cloud subscription and managed services, current	\$170,733	\$126,086
Professional services, current	136,878	100,270
Total deferred revenue, current	\$307,611	\$226,356
Platform, cloud subscription and managed services, non-current	100,285	56,691
Professional services, non-current	2,432	1,206
Total deferred revenue, non-current	\$102,717	\$ 57,897
Total deferred revenue	\$410,328	\$284,253

Changes in the balance of deferred revenue for the periods presented are as follows (in thousands):

	<u>Deferred Revenue</u>
Balance at December 31, 2019	\$ 273,241
Billings for the period	408,057
Revenue recognized	(399,709)
Assumed in connection with acquisitions	2,664
Balance at December 31, 2020	\$ 284,253
Billings for the period	609,530
Revenue recognized	(483,455)
Balance at December 31, 2021	<u>\$ 410,328</u>

Remaining Performance Obligations

Transaction price allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and non-cancelable contracts that will be invoiced and recognized as revenue in future periods (“backlog”). While deferred revenue is recorded on our balance sheet as a liability, backlog is not recorded in revenue, deferred revenue or elsewhere in our consolidated financial statements until we establish a contractual right to invoice, at which point it is recorded as revenue or deferred revenue as appropriate. As of December 31, 2021, the aggregate amount of the transaction price allocated to remaining performance obligations was \$410.3 million in deferred revenue and \$14.7 million in backlog. As of December 31, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was \$284.3 million in deferred revenue and \$25.6 million in backlog.

We expect that the amount of backlog relative to the total value of our contracts will change from year to year due to several factors, including the amount invoiced early in the contract term, the timing and duration of customer agreements, varying invoicing cycles of agreements and changes in customer financial circumstances. Accordingly, we believe that fluctuations in backlog are not always a reliable indicator of future revenues and we do not utilize backlog internally as a key management metric.

We expect to recognize these remaining performance obligations as follows (in percentages):

	<u>Total</u>	<u>Less than 1 year</u>	<u>1 – 2 years</u>	<u>2 – 3 years</u>	<u>More than 3 years</u>
Deferred revenue	100%	75%	16%	8%	1%
Backlog	100%	65%	22%	12%	1%

11. Convertible Senior Notes

Convertible Senior Notes due 2024

On May 24, 2018, we issued \$525.0 million aggregate principal amount of 0.875% Convertible Senior Notes due 2024 (the “2024 Notes”) in a private placement to qualified institutional purchasers pursuant to an exemption from registration provided by Section 4(a)(2) and Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). In addition, on June 5, 2018, we issued an additional \$75.0 million aggregate principal amount of the 2024 Notes pursuant to the full exercise of the initial purchasers’ option to purchase additional 2024 Notes, in a private placement exempt from the registration requirements of the Securities Act. The net proceeds from the offerings, after deducting the initial purchasers’ discount of approximately \$15.0 million and the issuance costs of approximately \$0.6 million, were \$584.4 million. We used (i) approximately \$330.4 million of the net proceeds to repurchase approximately \$340.2 million in aggregate principal amount outstanding of the Series A Notes (as defined below) in negotiated transactions with institutional investors and (ii) approximately \$65.2 million of the net proceeds from the offering of the 2024 Notes to enter into capped call transactions (the “Capped Calls”).

The 2024 Notes are unsecured obligations and rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the 2024 Notes. They rank equally in right of payment

with all of our existing and future liabilities that are not expressly subordinated to the 2024 Notes including the Series A Notes and the Series B Notes (as defined below); and effectively rank junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness. The 2024 Notes are structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

The 2024 Notes do not contain any financial covenants and do not restrict us from paying dividends or issuing or repurchasing other securities.

The 2024 Notes bear interest at 0.875% per year, payable semiannually in arrears on June 1 and December 1 of each year. The 2024 Notes mature on June 1, 2024, unless earlier repurchased, redeemed or converted.

The initial conversion rate of the 2024 Notes is 43.1667 shares of our common stock per \$1,000 of principal amount of the 2024 Notes, which is equivalent to an initial conversion price of approximately \$23.17 per share of common stock. The conversion rate of the 2024 Notes may be adjusted pursuant to the terms of the indenture governing the 2024 Notes upon the occurrence of certain specified events, but not for accrued and unpaid interest.

Holders may convert the 2024 Notes at their option in multiples of \$1,000 principal amount prior to the business day preceding March 1, 2024, only under the following circumstances:

- during any calendar quarter (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price of the 2024 Notes on each applicable trading day;
- during the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price per \$1,000 principal amount of the 2024 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the notes on each such trading day;
- if we call any or all of the 2024 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the relevant redemption date; or
- upon the occurrence of specified corporate events, as specified in each indenture governing the 2024 Notes.

Regardless of the foregoing conditions, holders may convert their 2024 Notes at their option in multiples of \$1,000 principal amount during the period from, and including, March 1, 2024 to the close of business on the second scheduled trading day immediately preceding the maturity date. Upon conversion, the 2024 Notes can be settled in cash, shares of our common stock or any combination of cash and shares of common stock at our option.

Holders may also require us to repurchase the 2024 Notes if we undergo a “fundamental change,” as defined in each indenture governing the 2024 Notes, at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

Additionally, we may redeem for cash all or any portion of the 2024 Notes on or after June 5, 2021, if the last reported sale price of our common stock has been at least 130% of the conversion price of the 2024 Notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date.

As of December 31, 2021, none of the conditions permitting holders to convert their 2024 Notes had been satisfied and no shares of our common stock had been issued in connection with any conversions of the 2024 Notes. Based on the closing price of our common stock of \$17.54 per share on December 31, 2021, the conversion value of the 2024 Notes was less than the principal amount of the 2024 Notes outstanding on a per 2024 Note basis.

In accordance with accounting for debt with conversions and other options, we bifurcated the principal amount of the 2024 Notes into liability and equity components. The initial liability component of the 2024 Notes was valued at \$458.3 million based on the contractual cash flows discounted at an appropriate comparable market non-convertible debt borrowing rate at the date of issuance of 5.5% with the equity component representing the residual amount of the proceeds of \$141.7 million, which was recorded as a debt discount. Issuance costs were allocated pro rata based on the relative initial carrying amounts of the liability and equity components. As a result, transaction costs of \$0.5 million and \$0.1 million and initial purchasers' discount of \$11.5 million and \$3.5 million were attributable to the liability component and equity component of the 2024 Notes, respectively. The debt discount and the issuance costs allocated to the liability component are amortized as additional interest expense over the term of the 2024 Notes using the effective interest method as noted in the table below.

The liability and equity components of the 2024 Notes consisted of the following (in thousands):

	As of December 31,	
	2021	2020
Liability component:		
Principal	\$600,000	\$600,000
Less: 2024 Notes debt discounts and issuance costs, net of amortization	(67,196)	(92,750)
Net carrying amount	<u>\$532,804</u>	<u>\$507,250</u>
Equity component, net of issuance costs	<u>\$138,064</u>	<u>\$138,064</u>

The unamortized issuance costs as of December 31, 2021 will be amortized over a weighted-average remaining period of approximately 2.4 years.

Interest expense for the years ended December 31, 2021 and 2020 related to the 2024 Notes consisted of the following (dollars in thousands):

	Year Ended December 31,	
	2021	2020
Coupon interest	\$ 5,250	\$ 5,250
Amortization of 2024 Notes debt discounts and issuance costs	25,554	24,328
Total interest expense recognized	<u>\$30,804</u>	<u>\$29,578</u>
Effective interest rate on the liability component	<u>6.1%</u>	<u>6.1%</u>

In connection with the 2024 Notes offering, the Company entered into the Capped Calls with certain counterparties affiliated with the initial purchasers of the 2024 Notes. The Capped Calls are expected to reduce potential dilution of earnings per share upon conversion of the 2024 Notes, and have an initial strike price of \$23.17 per share, which corresponds to the initial conversion price of the 2024 Notes and which have a cap price of \$34.32 per share. The Capped Calls do not meet the criteria for separate accounting as a derivative as they are indexed to our own stock and are accounted for as freestanding financial instruments. The premiums paid for the purchase of the Capped Calls in the amount of \$65.2 million have been recorded as a reduction of the Company's additional paid-in capital in stockholder's equity in the accompanying Consolidated Financial Statements and fair values of the Capped Calls are not re-measured at each reporting period.

Convertible Senior Notes due 2035

In June 2015, we issued \$460.0 million principal amount of 1.000% Convertible Senior Notes due 2035 (the "Series A Notes") and \$460.0 million principal amount of 1.625% Convertible Senior Notes due 2035 (the "Series B Notes" and together with the Series A Notes, the "2035 Notes", and the 2035 Notes, together with the 2024 Notes, the "Convertible Senior Notes") in a private placement to qualified institutional purchasers pursuant to an exemption from registration provided by Section 4(a)(2) and Rule 144A under the Securities Act. The net proceeds after the initial purchasers' discount of \$23.0 million and issuance costs of \$0.5 million from the 2035 Notes were \$896.5 million. The Series A Notes and Series B Notes bear interest at

1.000% per year and 1.625% per year, respectively, payable semiannually in arrears on June 1 and December 1 of each year. The 2035 Notes mature on June 1, 2035, unless earlier repurchased, redeemed or converted.

The 2035 Notes are unsecured obligations and rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the 2035 Notes. They rank equally in right of payment with all of our existing and future liabilities that are not expressly subordinated to the 2035 Notes and effectively rank junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness. They are structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

The 2035 Notes do not contain any financial covenants and do not restrict us from paying dividends or issuing or repurchasing our other securities.

The initial conversion rate on each series of 2035 Notes is 16.4572 shares of our common stock per \$1,000 principal amount of 2035 Notes, which is equivalent to an initial conversion price of approximately \$60.76 per share of common stock. The conversion rate of each series of 2035 Notes may be adjusted upon the occurrence of certain specified events, but not for accrued and unpaid interest.

Holders may convert the 2035 Notes at their option in multiples of \$1,000 principal amount prior to March 1, 2035, only under the following circumstances:

- during any calendar quarter (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the 2035 Notes of the relevant series on each applicable trading day;
- during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of Series A Notes or Series B Notes, as applicable, for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the notes of the relevant series on each such trading day;
- if we call any or all of the 2035 Notes of a series for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the relevant redemption date; or
- upon the occurrence of specified corporate events, as specified in each indenture governing the 2035 Notes.

Regardless of the foregoing conditions, holders may convert their 2035 Notes at their option in multiples of \$1,000 principal amount at any time after March 1, 2035 until maturity for either series of 2035 Notes. Upon conversion, the 2035 Notes can be settled in cash, shares of our common stock or any combination thereof at our option.

We may be required by holders of the 2035 Notes to repurchase all or any portion of their 2035 Notes at 100% of the principal amount plus accrued and unpaid interest, on each of June 1, 2025 and June 1, 2030, in the case of the Series A Notes, and each of June 1, 2022, June 1, 2025 and June 1, 2030 in the case of the Series B Notes. Holders may also require us to repurchase the 2035 Notes if we undergo a “fundamental change,” as defined in each indenture governing the 2035 Notes, at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

Additionally, we may redeem for cash all or any portion of the Series B Notes at any time prior to June 1, 2022 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending not more than three trading days immediately preceding the date we provide notice of redemption. We also may redeem for cash all or any portion of the Series A Notes at any time prior to maturity and all or any portion of the Series B Notes on or after June 1, 2022 until maturity, regardless of the foregoing sale price condition.

In accordance with accounting for debt with conversions and other options, we allocated the principal amount of the 2035 Notes into liability and equity components. We also allocated the total amount of initial purchasers’ discount and transaction costs incurred to the liability and equity components using the same

proportions as the proceeds from the 2035 Notes. Transaction costs of \$0.4 million and \$0.1 million and initial purchasers' discount of \$17.6 million and \$5.4 million were attributable to the liability component and equity component of the 2035 Notes, respectively.

Repurchases of a portion of the Series A Notes

In May 2018, we used approximately \$330.4 million of the net proceeds from the offering of the 2024 Notes to repurchase \$340.2 million in aggregate principal amount of the Series A Notes. The repurchase was accounted for as a partial extinguishment of the Series A Notes. The consideration of approximately \$330.4 million used to repurchase the Series A Notes was allocated between the liability and equity components of the amount extinguished by determining the fair value of the liability component immediately prior to the debt extinguishment and allocating that portion of the repurchase price to the liability component in the amount of \$317.4 million. The residual of the repurchase price of \$13.0 million was allocated to the equity component of the Series A Notes as a reduction of additional paid-in capital. The fair value of the debt extinguished was calculated using a discount rate of 4.5%, representing an estimate of the Company's borrowing rate at the date of repurchase with a remaining expected life of two years. As part of the repurchase, we wrote-off a portion of the unamortized debt issuance cost apportioned to the principal amount of Series A Notes repurchased. We also recorded a loss on partial extinguishment of the Series A Notes of \$10.8 million in Other Expense, net, representing the difference between the consideration attributed to the liability component and the sum of the net carrying amount of the liability component and unamortized costs.

In June 2020, the Company delivered a notice to the holders of Series A Notes to notify such holders of their option to require the Company to repurchase their Series A Notes on June 1, 2020. Holders representing \$96.4 million aggregate principal amount of Series A Notes chose to exercise their option to require the Company to repurchase their Series A Notes. The repurchase was accounted for as a partial extinguishment of the Series A Notes. The consideration of approximately \$96.4 million was used to repurchase the Series A Notes. The fair value of the debt extinguished was deemed to be the same as the par value of \$96.4 million and no gain or loss was recognized.

As of December 31, 2021, \$23.4 million aggregate principal amount of the Series A Notes remains outstanding.

The liability and equity components of the 2035 Notes consisted of the following (in thousands):

	As of December 31,			
	2021		2020	
	Series A Notes	Series B Notes	Series A Notes	Series B Notes
Liability component:				
Principal	\$23,436	\$460,000	\$23,436	\$460,000
Less: 2035 Notes discounts and issuance costs, net of amortization	—	(8,970)	—	(29,790)
Net carrying amount	\$23,436	\$451,030	\$23,436	\$430,210
Equity component, net of issuance costs	\$15,559	\$117,834	\$15,559	\$117,834

The unamortized discounts and issuance costs as of December 31, 2021 will be amortized over a weighted-average remaining period of approximately 0.4 years.

Interest expense for the years ended December 31, 2021, 2020 and 2019 related to the 2035 Notes consisted of the following (in thousands):

	Year Ended December 31,					
	2021		2020		2019	
	Series A Notes	Series B Notes	Series A Notes	Series B Notes	Series A Notes	Series B Notes
Coupon interest	\$234	\$ 7,475	\$ 636	\$ 7,475	\$1,198	\$ 7,454
Amortization of 2035 Notes discounts and issuance costs	—	20,820	2,540	19,859	5,879	18,943
Total interest expense recognized	\$234	\$28,295	\$3,176	\$27,334	\$7,077	\$26,397
Effective interest rate on the liability component . . .	1.0%	6.6%	2.7%	6.7%	6.4%	6.7%

Prepaid Forward Stock Purchase

In connection with the issuance of the 2035 Notes, we also entered into privately negotiated prepaid forward transactions (the “Prepaid Forwards”) with one of the initial purchasers of the 2035 Notes (the “Forward Counterparty”), pursuant to which we paid approximately \$150.0 million. The amount of the Prepaid Forward entered into in connection with the issuance of the Series A Notes was equivalent to approximately 1.6 million shares which was settled on June 3, 2020. The amount of the Prepaid Forward entered into in connection with the issuance of the Series B Notes was equivalent to approximately 1.8 million shares which is to be settled on or around June 1, 2022, subject to any early settlement, in whole or in part, of such Prepaid Forward. Such Prepaid Forward is intended to facilitate privately negotiated derivative transactions by which investors in the Series B Notes will be able to hedge their investment in the Series B Notes. In the event we pay any cash dividends on our common stock, the Forward Counterparty will pay an equivalent amount back to us.

The related shares were accounted for as a repurchase of common stock, and are presented as Treasury Stock in the consolidated balance sheets. On June 3, 2020, we retired approximately 1.6 million shares delivered under the Prepaid Forward entered into in connection with the issuance of the Series A Notes. The remaining approximately 1.8 million shares of common stock purchased under the Prepaid Forward entered into in connection with the issuance of the Series B Notes are excluded from weighted-average shares outstanding for basic and diluted EPS purposes although they remain legally outstanding.

12. Commitments and Contingencies

Letters of Credit

We are party to letters of credit totaling \$3.1 million as of December 31, 2021 issued primarily in support of operating leases for our facilities. These letters of credit are collateralized by a line with our bank. No amounts have been drawn against these letters of credit.

Purchase Obligations

As of December 31, 2021, we had approximately \$20.6 million of non-cancelable firm purchase commitments primarily for purchases of software and services. In situations where we have received delivery of the goods or services as of December 31, 2021 under purchase orders outstanding as of the same date, such amounts are reflected in the consolidated balance sheet as accounts payable or accrued liabilities and are excluded from the \$20.6 million.

Litigation

From time to time, we are involved in claims and legal proceedings that arise in the ordinary course of business. Any claims or proceedings against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time, result in the diversion of significant operational resources, or require us to enter into agreements which may not be available on terms favorable to us or at all.

On November 3, 2021, an alleged shareholder filed an action against the Company and its board of directors, alleging a violation of Delaware General Corporation Law Sec. 271 and breaches of fiduciary duty in connection with sale of the FireEye Products business. The lawsuit seeks a declaratory judgment, a shareholder vote, and attorneys' fees, as well as other relief. The action was filed in the Court of Chancery of the State of Delaware under the caption *Altieri v. Mandiant, Inc., et al.*, No. 2021-0946. The defendants filed a motion to dismiss on January 14, 2022. Based on information currently available, the Company has determined that the amount of any possible loss or range of possible loss is not reasonably estimable.

To the extent there is a reasonable possibility that a loss exceeding amounts already recognized may be incurred, and the amount of such additional loss would be material, we will either disclose the estimated additional loss or state that such an estimate cannot be made. We do not currently believe that it is reasonably possible that additional losses in connection with litigation arising in the ordinary course of business would be material.

Indemnification

Under the indemnification provisions of our standard sales related contracts, we agree to defend our customers against third-party claims asserting infringement of certain intellectual property rights, which may include patents, copyrights, trademarks, or trade secrets, and to pay judgments entered on such claims. Our exposure under these indemnification provisions is generally limited to the total amount paid by our customer under the agreement. However, certain agreements include indemnification provisions that could potentially expose us to losses in excess of the amount received under the agreement. In addition, we indemnify our officers, directors, and certain key employees for actions taken while they are or were serving in good faith in such capacities. Through December 31, 2021, there have been no claims under any indemnification provisions.

13. Redeemable Preferred Stock

On November 18, 2020, we entered into a Securities Purchase Agreement with BTO Delta Holdings DE L.P., an investment vehicle of funds affiliated with The Blackstone Group Inc., and a Securities Purchase Agreement with ClearSky Security Fund I LLC and ClearSky Power & Technology Fund II LLC (together, the "Series A Securities Financing Agreements"). Pursuant to the Series A Securities Financing Agreements, on December 11, 2020 we issued and sold 400,000 shares of a newly designated 4.5% Series A Convertible Preferred Stock ("Series A Preferred Stock"), par value \$0.0001 per share, at a price of \$1,000 per share, for an aggregate purchase price of \$400.0 million. We intend to use the net proceeds from the issuance and sale to fund acquisitions, buybacks of our common stock, and for working capital purposes.

Each share of Series A Preferred Stock has the powers, designations, preferences, and other rights of the shares of such series as are set forth in the Certificate of Designations of the Series A Preferred Stock filed by the Company with the Secretary of State of the State of Delaware on December 11, 2020 (the "Certificate of Designations").

The Series A Preferred Stock ranks senior to our common stock, with respect to dividend rights and rights upon the voluntary or involuntary liquidation, dissolution, or winding up of our affairs (a "Liquidation"). Upon a Liquidation, each share of Series A Preferred Stock is entitled to receive an amount per share equal to the greater of (i) the purchase price paid by the Purchaser, plus all accrued and unpaid dividends and (ii) the amount that the holder of Series A Preferred Stock (each, a "Holder" and collectively, the "Holders") would have been entitled to receive at such time if the Series A Preferred Stock were converted into our common stock (the "Liquidation Preference"). The initial purchase price of the Series A Preferred Stock is \$1,000 per share (the "Original Purchase Price"). The Holders are entitled to dividends on the Original Purchase Price paid by the Purchaser at the rate of 4.5%, cumulatively, per annum that (i) for the first three years after December 11, 2020 will be paid in-kind, and (ii) after the third anniversary of December 11, 2020, will, at our election either be paid in cash, or, if not, will accrue and accumulate, in each case, accruing daily and paid quarterly in arrears. The Holders are also entitled to participate in dividends declared or paid on the common stock on an as-converted basis.

The Holder has the right, at its option, to convert its Series A Preferred Stock, in whole or in part, into fully paid and non-assessable shares of our common stock at a conversion price equal to \$17.25 per share subject to certain customary adjustments in the event of certain adjustments to our common stock. The

conversion price was equal to \$17.25 per share as of December 31, 2021. After the third anniversary of December 11, 2020, subject to certain conditions, we may, at our option, require conversion of all of the outstanding shares of Series A Preferred Stock to our common stock if, for at least 20 trading days during the 30 consecutive trading days immediately preceding the date we notify the Holders of the election to convert, the closing price of our common stock is at least 175% of the conversion price.

After the seventh anniversary of December 11, 2020, each Holder shall have the right to require us to redeem all or any part of the Holder's Series A Preferred Stock for cash at a price equal to the Original Purchase Price paid by the Purchaser plus any accrued and unpaid dividends. Upon a "Fundamental Change" (involving a change of control, bankruptcy, insolvency, liquidation or de-listing of the Company as further described in the Certificate of Designations), each Holder shall have the right to require the Company to redeem all or any part of the Holder's Series A Preferred Stock for an amount equal to the Liquidation Preference at a repurchase price calculated in accordance with the Certificate of Designations plus any accrued and unpaid dividends.

The Holders are generally entitled to vote with the holders of the shares of our common stock on all matters submitted for a vote of holders of shares of our common stock (voting together with the holders of shares of our common stock as one class) on an as-converted basis, subject to certain Nasdaq voting limitations, if applicable. Additionally, the consent of the Holders of a majority of the outstanding shares of Series A Preferred Stock is required for so long as any shares of the Series A Preferred Stock remain outstanding for (i) amendments to our organizational documents that have an adverse effect on the holders of Series A Preferred Stock and (ii) issuances by us of securities that are senior to, or equal in priority with, the Series A Preferred Stock. In addition, for so long as 25% of the Series A Preferred Stock issued in connection with the Financing Agreements remains outstanding, consent of the Holders of a majority of the outstanding shares of Series A Preferred Stock is required for (i) any change to the size of the Board of Directors, (ii) any voluntary dissolution, liquidation, bankruptcy, winding up or deregistration or delisting and (iii) incurrence by us of net debt in excess of \$350,000,000.

We have applied the guidance in ASC 480-10-S99-3A, SEC Staff Announcement: Classification and Measurement of Redeemable Securities and have therefore classified the Series A Preferred Stock as mezzanine equity. The Series A Preferred Stock was recorded outside of stockholders' deficit because it is probable that the shares will be redeemed at the option of the Holders and that redemption option is not solely within the Company's control. Upon issuance, we elected to record the Series A Preferred Stock at redemption value. As such, we recognized \$0.1 million and \$4.7 million of accretion as of December 31, 2021 and 2020, respectively.

We accrued \$18.4 million of dividends on the Series A Preferred Stock during the year ended December 31, 2021. The cumulative dividend accrual on Series A Preferred Stock as of December 31, 2021 was \$19.4 million. Accrued dividends are recorded against additional paid-in capital due to the Company being in an accumulated deficit position.

14. Common Shares Reserved for Issuance

Under our amended and restated certificate of incorporation, we are authorized to issue 100,000,000 shares of convertible preferred stock with a par value of \$0.0001 per share, of which 400,000 shares of Series A Preferred Stock were outstanding as of December 31, 2021 and 2020.

Under our amended and restated certificate of incorporation, we are authorized to issue 1,000,000,000 shares of common stock with a par value of \$0.0001 per share as of December 31, 2021 and 2020. Each share of common stock outstanding is entitled to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by our Board of Directors, subject to the prior rights of holders of all classes of convertible preferred stock outstanding.

We had reserved shares of common stock for issuance as follows (in thousands):

	As of December 31,	
	2021	2020
Reserved under stock award plans	39,476	38,745
Convertible senior notes	33,856	33,856
Convertible preferred stock	24,313	23,249
ESPP	4,156	3,425
Total	<u>101,801</u>	<u>99,275</u>

15. Equity Award Plans

We have operated under our 2013 Equity Incentive Plan (“2013 Plan”) since our initial public offering (“IPO”) in September 2013. Our 2013 Plan provides for the issuance of restricted stock and the granting of options, stock appreciation rights, performance shares, performance units and restricted stock units to our employees, officers, directors and consultants. Our 2013 Plan provides for annual increases in the number of shares available for issuance on the first day of each fiscal year. Awards granted under the 2013 Plan vest over the periods determined by our Board of Directors or compensation committee of our Board of Directors, generally four years, and stock options granted under the 2013 Plan expire no more than ten years after the date of grant. In the case of an incentive stock option granted to an employee who at the time of grant owns stock representing more than 10% of the total combined voting power of all classes of stock, the exercise price shall be no less than 110% of the fair value per share on the date of grant, and the award shall expire five years from the date of grant. For options granted to any other employee, the per share exercise price shall be no less than 100% of the fair value per share on the date of grant. In the case of non-statutory stock options and options granted to consultants, the per share exercise price shall be no less than 100% of the fair value per share on the date of grant. Approximately 18.4 million shares and 14.9 million shares of our common stock were reserved for future grants as of December 31, 2021 and 2020, respectively, under the 2013 Plan.

Our 2013 Employee Stock Purchase Plan (“ESPP”) allows eligible employees to acquire shares of our common stock at 85% of the lower of the fair market value of our common stock on the first trading day of each offering period or on the exercise date. Our ESPP provides for annual increases in the number of shares available for issuance on the first day of each fiscal year. An aggregate of approximately 4.2 million shares and 3.4 million shares of common stock were available for future issuance as of December 31, 2021 and 2020, respectively, under our ESPP.

From time to time, we also grant restricted common stock or restricted stock awards outside of our equity incentive plans to certain employees in connection with acquisitions. Upon the transfer of employees pursuant to the sale of the FireEye Products business, all of their then unvested equity awards were forfeited.

Stock Option Activity

A summary of the activity, for continuing and discontinued operations, for our stock option changes during the reporting periods and a summary of information related to options outstanding and options exercisable are presented below (in thousands, except per share amounts and contractual life years):

	Options Outstanding			Aggregate Intrinsic Value
	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Contractual Life (years)	
Balance – December 31, 2018	3,309	\$12.49		
Granted	—	—		
Exercised	(731)	5.73		\$ 7,537
Cancelled	(140)	22.65		
Assumed in connection with acquisition	1,953	3.00		
Balance – December 31, 2019	4,391	9.07		
Granted	—	—		
Exercised	(1,414)	5.19		12,849
Cancelled	(334)	13.85		
Assumed in connection with acquisition	842	1.39		
Balance – December 31, 2020	3,485	8.33		
Granted	—	—		
Exercised	(1,276)	5.18		18,204
Cancelled	(191)	26.49		
Balance – December 31, 2021	2,018	8.61	5.0	25,664
Options exercisable – December 31, 2021	1,444	\$11.22	3.9	\$16,769

The aggregate intrinsic value above represents the pre-tax difference between the exercise price of stock options and the quoted market price of our stock on that day for all in-the-money stock options.

Restricted Stock Award (RSA) and Restricted Stock Unit (RSU) Activity

A summary of the activity, for continuing and discontinued operations, for our restricted common stock, RSAs and RSUs during the reporting periods and a summary of information related to unvested restricted common stock, RSAs and RSUs, including those expected to vest based on the achievement of a performance condition are presented below (in thousands, except per share amounts and contractual life years):

	Number of Shares	Weighted- Average Grant Date Fair Value (per share)	Weighted- Average Contractual Life (years)	Aggregate Intrinsic Value
Unvested balance – December 31, 2018	20,281	\$15.53		
Granted	13,302	16.82		
Vested	(8,894)	16.03		
Cancelled	(2,992)	16.10		
Unvested balance – December 31, 2019	21,697	16.07		
Granted	15,838	15.03		
Vested	(10,077)	15.23		
Cancelled	(7,058)	16.41		
Unvested balance – December 31, 2020	20,400	15.35		
Granted	17,855	20.61		
Vested	(10,192)	16.22		
Cancelled	(9,040)	17.81		
Unvested balance – December 31, 2021	19,023	18.48	1.4	\$333,674
Unvested awards for which the requisite service period has not been rendered and vesting is subject to the achievement of a performance condition – December 31, 2021	2,837	\$18.54	1.4	\$ 49,763

During the years ended December 31, 2021, 2020 and 2019, we issued 2.0 million, 1.2 million and 1.4 million shares, respectively, of restricted common stock, restricted stock awards or restricted stock units to certain employees which vest upon the achievement of certain performance conditions in addition to a continued service relationship with the Company.

Stock-Based Compensation

We record stock-based compensation based on the fair value as determined on the date granted. We determine the fair value of stock options and shares of common stock to be issued under the ESPP using the Black-Scholes option-pricing model. The fair value of restricted stock units and restricted stock awards equals the market value of the underlying stock on the date of grant. We grant performance-based restricted stock units and restricted stock awards to certain employees which vest upon the achievement of certain performance conditions, subject to the employees' continued service relationship with us. With respect to performance-based restricted stock units, we assess the probability of vesting at each reporting period and adjust our compensation cost based on this probability assessment. We recognize such compensation expense on a straight-line basis over the service provider's requisite service period. We determined valuation assumptions as follows:

Fair Value of Common Stock

We use the listed stock price on the date of grant as the fair value of our common stock.

Risk-Free Interest Rate

We base the risk-free interest rate used in the Black-Scholes option-pricing model on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent expected term of the options for each option group.

Expected Term

The expected term represents the period that our stock-based awards are expected to be outstanding. We base the expected term assumption on our historical experience combined with estimates of post-vesting holding periods.

Volatility

We determine the price volatility factor based on the historical volatilities of our peer group as we do not have sufficient trading history for our common stock.

Dividend Yield

The expected dividend assumption is based on our current expectations about our anticipated dividend policy.

The following table summarizes the assumptions used in the Black-Scholes option-pricing model to determine the fair value of our common shares to be issued under the ESPP:

	Year Ended December 31,		
	2021	2020	2019
Fair value of common stock	\$16.97 – \$22.33	\$13.06 – \$15.03	\$14.59 – \$16.35
Risk-free interest rate	0.04% – 0.24%	0.09% – 0.18%	1.60% – 2.35%
Expected term (in years)	0.5 – 1.0	0.5 – 1.0	0.5 – 1.0
Volatility	50% – 62%	48% – 68%	29% – 39%
Dividend yield	—%	—%	—%

Stock-based compensation expense related to stock options, ESPP and restricted stock units and awards is included in the consolidated statements of operations as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Cost of product, subscription and support revenue	\$ 13,330	\$ 10,336	\$ 8,830
Cost of professional services revenue	24,663	17,501	13,225
Research and development	36,535	23,943	14,972
Sales and marketing	42,161	36,428	38,222
General and administrative	34,676	25,176	29,966
Restructuring	40	314	—
Total stock-based compensation expense from continuing operations . . .	151,405	113,698	105,215
Discontinued operations	31,910	42,409	48,303
Total stock-based compensation expense	<u>\$183,315</u>	<u>\$156,107</u>	<u>\$153,518</u>

As of December 31, 2021, total compensation cost related to stock-based awards not yet recognized was \$302.5 million, which is expected to be amortized on a straight-line basis over the weighted-average remaining vesting period of approximately 2.6 years.

16. Income Taxes

Loss before income taxes from continuing operations consisted of the following (in thousands):

	Year Ended December 31,		
	2021	2020	2019
United States	\$(296,105)	\$(224,544)	\$(217,497)
Foreign	(112,614)	\$(124,334)	(162,962)
Total	<u>\$(408,719)</u>	<u>\$(348,878)</u>	<u>\$(380,459)</u>

The provision for (benefit from) income taxes for continuing operations consisted of the following (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Federal:			
Current	\$ —	\$ —	\$ —
Deferred	7	(1,143)	(16,901)
State:			
Current	172	107	85
Deferred	(160)	(718)	(4,560)
Foreign:			
Current	2,167	2,796	3,399
Deferred	1,195	(582)	438
Total	<u>\$3,381</u>	<u>\$ 460</u>	<u>\$(17,539)</u>

Reconciliation of the federal statutory income tax rate to the effective tax rate is as follows:

	Year Ended December 31,		
	2021	2020	2019
Federal statutory rate	21.0%	21.0%	21.0%
Effect of:			
State taxes, net of federal tax benefit	—	0.2	1.2
Change in valuation allowance	(15.0)	(12.3)	(11.3)
Research and development tax credit	0.5	0.7	0.6
Stock-based compensation	(0.2)	(1.7)	(1.2)
Impact of foreign tax differential	(6.4)	(8.0)	(5.1)
Non-deductible/non-taxable items	(0.5)	0.2	(0.5)
Other, net	(0.2)	(0.2)	(0.1)
Total	<u>(0.8)%</u>	<u>(0.1)%</u>	<u>4.6%</u>

The components of the deferred tax assets and liabilities are as follows (in thousands):

	As of December 31,	
	2021	2020
Deferred tax assets:		
Net operating loss carryforwards	\$ 45,868	\$ 121,001
Accruals and reserves	22,701	12,766
Stock-based compensation	6,247	7,631
Fixed assets	—	1,800
Lease liability	16,383	14,034
Deferred revenue	73,362	132,262
Intangible asset, net	—	—
Tax credit carryforwards	42,538	66,677
Capital loss carryforward	17,978	—
Other deferred tax assets	412	265
Gross deferred tax assets	<u>225,489</u>	<u>356,436</u>
Valuation allowance	<u>(187,198)</u>	<u>(285,008)</u>
Total deferred tax assets	<u>38,291</u>	<u>71,428</u>
Deferred tax liabilities:		
Deferred cost of goods sold	—	(4,905)
Acquisition related intangibles	(1,134)	(10,510)
Fixed Assets	(3,789)	—
Right of use asset	(6,359)	(7,686)
Convertible senior notes	(17,573)	(27,997)
Deferred commissions	(7,574)	(17,381)
Total deferred tax liabilities	<u>(36,429)</u>	<u>(68,479)</u>
Total net deferred tax assets	<u>\$ 1,862</u>	<u>\$ 2,949</u>

In December 2019, we completed an intra-entity asset transfer of certain of our intellectual property rights to an Irish subsidiary where our international business is headquartered. The transfer resulted in a step-up in the tax basis of the transferred intellectual property rights and a correlated increase in foreign deferred tax assets. As of December 31, 2021, we believe it is more likely than not that these additional foreign deferred tax assets will not be realized and therefore, are offset by a full valuation allowance. Due to our

history of losses we believe it is more likely than not that our U.S. deferred tax assets will not be realized as of December 31, 2021. Accordingly, we have established a full valuation allowance on our U.S. deferred tax assets. Our valuation allowance decreased by approximately \$97.8 million during the year ended December 31, 2021. This change is primarily attributable to the utilization of tax attributes in the sale of the Products business.

In July 2015, the U.S. Tax Court issued an opinion in *Altera Corp. v. Commissioner* related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement (CSAs). The opinion invalidated part of a treasury regulation requiring stock-based compensation to be included in any qualified intercompany cost-sharing arrangement. On June 7, 2019, the U.S. Court of Appeals for the Ninth Circuit reversed the U.S. Tax Court's decision. On July 22, 2019, Altera Corp. filed a petition for an en banc rehearing before the U.S. Court of Appeals for the Ninth Circuit, which was denied on November 12, 2019. On February 10, 2020, Altera Corp. filed a petition to the U.S. Supreme Court for review of the decision. On June 22, 2020, the U.S. Supreme Court declined to issue a writ of certiorari, thus leaving intact the U.S. Court of Appeals for the Ninth Circuit's 2019 decision upholding the validity of the Treasury regulations that require related parties to share the costs of stock-based compensation as a component of their intangible development costs in CSAs. We previously recorded a tax benefit based on the Tax Court's opinion issued in 2015, which was offset by a corresponding increase in the valuation allowance against U.S. deferred tax assets. In 2019, we recorded a reduction of \$9.4 million to our deferred tax asset for U.S. net operating loss carryforwards, which are subject to a valuation allowance. In 2020, as a result of the U.S. Supreme Court's decision, we reversed the reduction of \$9.4 million to our deferred tax assets for U.S. net operating loss carryforwards, which is fully offset by valuation allowance.

As of December 31, 2021, we had federal, state and foreign net operating loss carry forwards of approximately \$30.4 million, \$478.5 million and \$115.6 million, respectively, available to reduce future taxable income, if any. If not utilized, the state net operating loss carry forwards will expire from the years ending December 31, 2022 through 2037. Most of the federal net operating losses and all of the foreign net operating loss can be carried forward indefinitely.

As of December 31, 2021, we also had federal and state income tax credit carry forwards of approximately \$22.2 million and \$25.8 million, respectively. If not utilized, the federal credit carry forwards will expire in various amounts from the years ended December 31, 2037 through 2041. Most of the state tax credits can be carried forward indefinitely.

Utilization of the net operating loss carry forwards and credits may be subject to an annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization.

As of December 31, 2021, we had \$52.4 million of unrecognized tax benefits, of which if recognized, \$5.4 million would affect our effective tax rate. We file income tax returns in U.S. federal, state and foreign jurisdictions. As we have net operating loss carry forwards for U.S. federal and state jurisdictions, the statute of limitations is open for all tax years. For material foreign jurisdictions, the tax years open to examination include the years 2016 and forward. We recognize both interest and penalties associated with uncertain tax positions as a component of income tax expense. During the year ended December 31, 2021, we recognized interest and penalties of \$142,000. During the years ended December 31, 2020 and 2019, we recognized a \$96,000 and \$113,000 increase to interest and penalties, respectively. As of December 31, 2021 and 2020, our total accrual for interest and penalties was \$906,000 and \$764,000, respectively. The ultimate amount and timing of any future cash settlements cannot be predicted with reasonable certainty.

A reconciliation of gross unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Unrecognized tax benefits at the beginning of the period	\$50,191	\$56,134	\$42,490
Increases related to current year tax positions	2,450	3,401	7,076
Increases related to prior year tax positions	—	281	6,654
Decreases related to prior year tax positions	(232)	(9,389)	—
Decreases related to settlements with taxing authorities	—	(227)	(29)
Decreases related to lapse of statute of limitations	(40)	(9)	(57)
Unrecognized tax benefits at the end of the period	<u>\$52,369</u>	<u>\$50,191</u>	<u>\$56,134</u>

As of December 31, 2021, we have not provided for state income taxes or foreign withholding taxes on the undistributed earnings of certain foreign subsidiaries which are considered indefinitely invested outside of the U.S. Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable.

17. Net Income (Loss) per Share

We calculate our basic and diluted net income (loss) per share in conformity with the two-class method required for companies with participating securities based upon income (loss) from continuing operations. Under the two-class method, net income (loss) is determined by allocating undistributed earnings, calculated as net income (loss) less current period convertible preferred stock cumulative dividends, between common stock and the convertible preferred stock. In computing diluted net income, undistributed earnings are re-allocated to reflect the potential impact of dilutive securities. Our basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period. The diluted net loss per share attributable to common stockholders is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, convertible preferred stock, options to purchase common stock and convertible senior notes are considered common stock equivalents, but have been excluded from the calculation of diluted net loss per share as their effect is anti-dilutive. As we had net losses from continuing operations for the years ended December 31, 2021, 2020 and 2019, all potential common shares were excluded as they were determined to be anti-dilutive.

The following table sets forth the computation of net loss per common share (in thousands, except per share amounts):

	Year Ended December 31,		
	2021	2020	2019
Numerator:			
Loss from continuing operations	\$ (412,100)	\$(349,338)	\$(362,920)
Net income from discontinued operations	1,328,241	142,037	105,511
Net income (loss)	916,141	(207,301)	(257,409)
Dividend on series A convertible preferred stock	(18,354)	(1,050)	—
Accretion of series A convertible preferred stock	(82)	(4,653)	—
Net income (loss) attributable to common stockholders, basic and diluted	<u>\$ 897,705</u>	<u>\$(213,004)</u>	<u>\$(257,409)</u>
Denominator:			
Weighted average number of shares outstanding – basic and diluted	<u>236,367</u>	<u>223,308</u>	<u>207,234</u>
Net income (loss) per share attributable to common stockholders, basic and diluted:			
Continuing operations	\$ (1.82)	\$ (1.59)	\$ (1.75)
Discontinued operations	<u>5.62</u>	<u>0.64</u>	<u>0.51</u>
Total net income (loss) per share attributable to common stockholders, basic and diluted	<u>\$ 3.80</u>	<u>\$ (0.95)</u>	<u>\$ (1.24)</u>

The following outstanding options, unvested shares and units, ESPP shares, shares issuable upon the conversion of our Convertible Senior Notes, convertible preferred stock and shares contingently issuable were excluded (as common stock equivalents) from the computation of diluted net income(loss) per common share for the periods presented as their effect would have been anti-dilutive (in thousands):

	As of December 31,		
	2021	2020	2019
Options to purchase common stock	2,018	3,485	4,391
Unvested restricted stock awards and units	19,023	20,400	21,697
Convertible preferred stock	24,313	23,249	—
Convertible senior notes	33,856	33,856	35,442
ESPP shares	131	197	166

18. Employee Benefit Plan

401(k) Plan

We have established a 401(k) tax-deferred savings plan (the “401(k) Plan”) which permits participants to make contributions by salary deduction pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended. All participants’ interests in their deferrals are 100% vested when contributed. We are responsible for administrative costs of the 401(k) Plan and have made no matching contributions into our 401(k) Plan since inception. Under the 401(k) Plan, pre-tax contributions are allocated to each participant’s individual account and are then invested in selected investment alternatives according to the participants’ directions. The 401(k) Plan is intended to qualify under Sections 401(a) and 501(a) of the Code. As a tax-qualified retirement plan, contributions to the 401(k) Plan and earnings on those contributions are not taxable to the employees until distributed, and all contributions are deductible by us when and if made.

19. Segment and Major Customers Information

Disaggregation of revenue by geography

Following the sale of the FireEye Products business, we report our results of operations under one reportable segment, Mandiant Solutions, consisting of (i) platform, cloud subscription and managed services and (ii) professional services. We conduct business globally and are primarily managed on a geographic basis. Our Chief Executive Officer, who is our chief operating decision maker, reviews financial information presented on a consolidated basis accompanied by information about revenue by geographic region for purposes of allocating resources and evaluating financial performance. We define our regions as United States (“U.S.”), Europe, the Middle East, and Africa (“EMEA”), Asia Pacific and Japan (“APAC”), and all remaining geographies (primarily Latin America and Canada) included in Others. There are no segment executives who are held accountable for operations, operating results, and plans for levels, components, or types of products or services below the consolidated unit level. Accordingly, we are considered to be a single reportable segment and operating unit structure.

As discussed in Note 2, the results of product and related subscription and support revenue during the years ended December 31, 2021, 2020, and 2019 have been included in discontinued operations due to the Purchase Agreement entered into with a consortium led by STG and closing of the sale.

Revenue by geographic region based on the billing address is as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
U.S.	\$331,301	\$280,888	\$230,650
EMEA	66,424	51,249	48,518
APAC	49,518	36,615	31,571
Other	36,212	30,957	20,631
Total revenue	<u>\$483,455</u>	<u>\$399,709</u>	<u>\$331,370</u>

Disaggregation of revenue by product category

Our continuing operations generate revenue from sales of our Mandiant Solutions software-as-a-service platform and modules, subscriptions to our managed services and consulting services engagements. We disaggregate our revenue from continuing operations into two main categories: (i) platform, cloud subscription and managed services and (ii) consulting services.

Our platform, cloud subscription and managed services category includes our Mandiant Advantage software-as-a-service platform and our threat intelligence, security validation, attack surface management and automated defense modules, as well as our managed services for detection and response and security validation. We deliver our managed services and platform entirely through the cloud or, in the case of our security validation software, either through the cloud or in a hybrid on-premise/cloud configuration.

Our consulting services include incident response and other security consulting services to our customers who have experienced a cybersecurity breach or desire assistance assessing the resilience of their information systems infrastructure. The majority of our consulting services are offered on a time and materials basis, through a fixed fee arrangement, or on a retainer basis. Revenue from consulting services is recognized as services are delivered. Revenue from our pre-paid Expertise On Demand subscription and some pre-paid consulting services is deferred and recognized when services are delivered.

The following table depicts the disaggregation of revenue according to revenue type and is consistent with how we evaluate our financial performance (in thousands):

Revenue by Category	Year Ended December 31,		
	2021	2020	2019
Platform, cloud subscription and managed services	235,077	198,695	163,583
Professional services	248,378	201,014	167,787
Total revenue	<u>\$483,455</u>	<u>\$399,709</u>	<u>331,370</u>

Long lived assets by geography

Long lived assets by geographic region based on physical location is as follows (in thousands):

	As of December 31,	
	2021	2020
Property and Equipment, net:		
United States	\$42,116	\$59,323
International	4,213	5,013
Total property and equipment, net	<u>\$46,329</u>	<u>\$64,336</u>

For the years ended December 31, 2021 and 2020, one reseller represented 10% of the Company's total revenue, but did not represent 10% or greater of the Company's total revenue for the years ended December 31, 2019.

As of December 31, 2021 and 2020, no customer represented 10% or more of the Company's net accounts receivable balance.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Limitations on Effectiveness of Controls

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2021. The term "disclosure controls and procedures," as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (or the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on our evaluation, our chief executive officer and chief financial officer concluded that, as of December 31, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2021 based on the criteria related to internal control over financial reporting described in *Internal Control — Integrated Framework (2013)* issued by the Committee of

Sponsoring Organizations of the Treadway Commission. Based on our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2021.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Form 10-K, has issued a report, included herein, on the effectiveness of the Company's internal control over financial reporting as of December 31, 2021.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Mandiant, Inc. (formerly FireEye, Inc.)

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Mandiant, Inc. (formerly FireEye, Inc.) and subsidiaries (the “Company”) as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated March 1, 2022, expressed an unqualified opinion on those consolidated financial statements and included an emphasis-of-matter paragraph regarding the sale of the FireEye Products business.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
March 1, 2022

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to our Proxy Statement for our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021.

As part of our system of corporate governance, our board of directors has adopted a code of business conduct and ethics. The code applies to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), agents and representatives, including our independent directors and consultants, who are not employees of ours, with regard to their Mandiant-related activities. Our code of business conduct and ethics is available on our website at www.mandiant.com in the Corporate Governance section of our Investor Relations webpage. We will post on this section of our website any amendment to our code of business conduct and ethics, as well as any waivers of our code of business conduct and ethics, that are required to be disclosed by the rules of the SEC or the NASDAQ Stock Market. The information on our website is not incorporated by reference into this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our Proxy Statement for our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to our Proxy Statement for our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to our Proxy Statement for our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to our Proxy Statement for our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021.

PART IV

Item 15. Exhibit and Financial Statement Schedules

Documents filed as part of this report are as follows:

1. Consolidated Financial Statements:

Our Consolidated Financial Statements are listed in the “Index to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules:

Schedule II — Valuation and Qualifying Accounts is included below, and should be read in conjunction with the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K. All other schedules have been omitted because they are not required, not applicable, or the required information is included elsewhere in this Annual Report on Form 10-K.

3. Exhibits Required by Item 601 of Regulation S-K:

Exhibit No.	Description of Exhibit	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1+	Agreement and Plan of Reorganization, dated as of May 28, 2019, by and among the Registrant, Viking Merger Corporation, Viking Merger LLC, Verodin, Inc. and Shareholder Representative Services LLC.	8-K	001-36067	2.1	May 28, 2019
2.2+	Agreement and Plan of Reorganization, dated as of November 18, 2020, by and among the Registrant, Bravo Merger Acquisition Corporation, Bravo Merger Acquisition LLC, Respond Software, Inc. and Fortis Advisors LLC.	8-K	001-36067	2.1	November 19, 2020
2.3+	Asset Purchase Agreement, dated as of May 29, 2021, by and between the Registrant and Polaris Buyer LLC.	8-K	001-36067	2.1	June 2, 2021
2.4+	Amendment to Asset Purchase Agreement, dated as of October 8, 2021, by and between the Registrant and Magenta Buyer LLC.	8-K	001-36067	2.1	October 8, 2021
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-36067	3.1	September 25, 2013
3.2	Certificate of Amendment to Certificate of Incorporation of the Registrant.	8-K	001-36067	3.1	October 4, 2021
3.3	Amended and Restated Bylaws of the Registrant.	8-K	001-36067	3.2	October 4, 2021
3.4	Certificate of Designations of the Registrant.	8-K	001-36067	3.1	December 11, 2020
4.1*	Form of the Registrant’s common stock certificate.				
4.2	Indenture, dated as of June 2, 2015, between the Registrant and U.S. Bank National Association.	8-K	001-36067	4.1	June 5, 2015
4.3	Form of Global 1.000% Convertible Senior Note due 2035 (included in Exhibit 4.2).	8-K	001-36067	4.2	June 5, 2015
4.4	Indenture, dated as of June 2, 2015, between the Registrant and U.S. Bank National Association.	8-K	001-36067	4.3	June 5, 2015

Exhibit No.	Description of Exhibit	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
4.5	Form of Global 1.625% Convertible Senior Note due 2035 (included in Exhibit 4.4).	8-K	001-36067	4.4	June 5, 2015
4.6	Indenture, dated as of May 24, 2018, between the Registrant and U.S. Bank National Association.	8-K	001-36067	4.1	May 25, 2018
4.7	Form of Global 0.875% Convertible Senior Note due 2024 (included in Exhibit 4.6).	8-K	001-36067	4.2	May 25, 2018
4.8*	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.				
10.1†	Form of Indemnification Agreement between the Registrant and certain of its officers and directors.	S-1	333-190338	10.1	August 2, 2013
10.2†	Employee Incentive Plan.	S-1	333-190338	10.17	August 2, 2013
10.3†	Change of Control Severance Policy for Officers.	S-1/A	333-190338	10.27	August 21, 2013
10.4†	2008 Stock Plan, as amended, including form agreements under 2008 Stock Plan.	S-1/A	333-190338	10.6	September 9, 2013
10.5†	2013 Equity Incentive Plan, including form agreements under 2013 Equity Incentive Plan.	S-1/A	333-193717	10.6	March 3, 2014
10.6†	2013 Employee Stock Purchase Plan, as amended and restated as of August 2, 2016.	10-Q	001-36067	10.1	November 4, 2016
10.7†	Mandiant Corporation 2011 Equity Incentive Plan, as amended, including form agreements under Mandiant Corporation 2011 Equity Incentive Plan.	S-1	333-193717	10.8	February 3, 2014
10.8†	Outside Director Compensation Policy, as amended and currently in effect.	10-Q	001-36067	10.1	April 30, 2021
10.9†	Offer Letter between the Registrant and Enrique Salem, dated February 2, 2013.	S-1	333-190338	10.11	August 2, 2013
10.10†	Offer Letter between the Registrant and Ronald E. F. Codd, dated July 28, 2012.	S-1	333-190338	10.12	August 2, 2013
10.11†	Offer Letter between the Registrant and Kimberly Alexy, dated December 12, 2014.	8-K	001-36067	10.1	January 8, 2015
10.12†	Offer Letter between the Registrant and Stephen Pusey, dated June 12, 2015.	8-K	001-36067	10.1	June 17, 2015
10.13†	Offer Letter between the Registrant and Robert E. Switz, dated September 11, 2017.	8-K	001-36067	10.1	September 13, 2017
10.14†	Offer Letter between the Registrant and Adrian McDermott, dated January 25, 2019.	8-K	001-36067	10.1	February 6, 2019
10.15†	Offer Letter between the Registrant and Alexa King, dated August 1, 2013.	S-1/A	333-190338	10.16	August 21, 2013
10.16†	Offer Letter between the Registrant and Kevin Mandia, dated December 24, 2013.	8-K	001-36067	10.1	January 2, 2014
10.17†	Offer Letter between the Registrant and William Robbins, dated October 31, 2016.	10-K	001-36067	10.21	February 24, 2017

Exhibit No.	Description of Exhibit	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.18†	Offer Letter between the Registrant and Frank Verdecanna, dated February 20, 2018.	10-K/A	001-36067	10.21	March 1, 2018
10.19†	Offer Letter between the Registrant and Peter Bailey, dated February 11, 2020.	10-K	001-36067	10.20	February 21, 2020
10.20†	Offer Letter between the Registrant and John Watters, dated April 1, 2021.	8-K	001-36067	10.1	April 7, 2021
10.21†	Offer Letter between the Registrant and Sara Andrews, dated August 3, 2020.	8-K	001-36067	10.1	August 11, 2020
10.22†	Offer Letter between the Registrant and Arthur W. Coviello, dated December 10, 2020.	8-K	001-36067	10.5	December 11, 2020
10.23†	Key Employee Non-Competition Agreement, dated as of December 30, 2013, by and between Kevin Mandia and the Registrant.	8-K	001-36067	10.3	January 2, 2014
10.24†	Transition Agreement between the Registrant and Alexa King, effective as of October 6, 2021.	8-K	001-36067	10.1	October 8, 2021
10.25	Lease, dated as of August 4, 2016, by and between the Registrant and 601 McCarthy Owner, LLC.	8-K	001-36067	10.1	August 16, 2016
10.26	First Amendment, dated as of December 1, 2016, to the Lease dated as of August 4, 2016 by and between the Registrant and 601 McCarthy Owner, LLC.	10-K/A	001-36067	10.26	March 1, 2018
10.27	Second Amendment, dated as of October 19, 2017, to the Lease dated as of August 4, 2016 by and between the Registrant and 601 McCarthy Owner, LLC.	10-K/A	001-36067	10.27	March 1, 2018
10.28*	Lease, dated as of December 4, 2020, by and between the Registrant and One Freedom Square, L.L.C.				
10.29	Purchase Agreement, dated May 27, 2015, among the Registrant and Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC, as representatives of the several Initial Purchasers named in Schedule I thereto.	8-K	001-36067	10.1	May 29, 2015
10.30	Forward Stock Purchase Transaction, dated May 27, 2015, between the Registrant and Morgan Stanley & Co. LLC.	8-K	001-36067	10.2	May 29, 2015
10.31	Forward Stock Purchase Transaction, dated May 27, 2015, between the Registrant and Morgan Stanley & Co. LLC.	8-K	001-36067	10.3	May 29, 2015
10.32	Form of Capped Call Confirmation.	8-K	001-36067	10.1	May 25, 2018
10.33+	Securities Purchase Agreement, dated as of November 18, 2020, by and between Registrant and BTO Delta Holdings DE L.P.	8-K	001-36067	10.1	November 19, 2020
10.34+	Securities Purchase Agreement, dated as of November 18, 2020, by and among Registrant, ClearSky Security Fund I LLC and ClearSky Power and Technology Fund II LLC.	8-K	001-36067	10.2	November 19, 2020

Exhibit No.	Description of Exhibit	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.35	Amendment to Securities Purchase Agreement by and between the Registrant and Blackstone Delta Holdings DE L.P. (formerly known as BTO Delta Holdings DE L.P.) dated December 11, 2020.	8-K	001-36067	10.1	December 11, 2020
10.36	Amendment to Securities Purchase Agreement by and among the Registrant, ClearSky Security Fund I LLC and ClearSky Power & Technology Fund II LLC dated December 11, 2020.	8-K	001-36067	10.2	December 11, 2020
10.37	Registration Rights Agreement by and between the Registrant and Blackstone Delta Holdings DE L.P. dated December 11, 2020.	8-K	001-36067	10.3	December 11, 2020
10.38	Registration Rights Agreement by and among the Registrant, ClearSky Security Fund I LLC and ClearSky Power & Technology Fund II LLC dated December 11, 2020.	8-K	001-36067	10.4	December 11, 2020
21.1*	List of subsidiaries of the Registrant.				
23.1*	Consent of Deloitte & Touche LLP, independent registered public accounting firm.				
24.1*	Power of Attorney (included on the signature page to this Annual Report on Form 10-K).				
31.1*	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Executive Officer.				
31.2*	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Financial Officer.				
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS*	Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

* Filed herewith.

** Furnished herewith.

+ The schedules and other attachments to this exhibit have been omitted. The Registrant agrees to furnish a copy of any omitted schedules or attachments to the SEC upon request.

† Indicates a management contract or compensatory plan or arrangement.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

<u>Allowance for doubtful accounts receivable</u>	<u>Balance at beginning of period</u>	<u>Charged to cost and expenses</u>	<u>Write-offs, net of recoveries</u>	<u>Balance at end of period</u>
Year ended December 31, 2019	\$1,641	\$ 825	\$(2,269)	\$ 197
Year ended December 31, 2020	197	1,579	(551)	1,225
Year ended December 31, 2021	1,225	96	(515)	806

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 1, 2022.

MANDIANT, INC.

By: /s/ KEVIN R. MANDIA

Kevin R. Mandia

Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL THESE PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Kevin R. Mandia, Frank E. Verdecanna, James Medina and Richard Meamber, and each of them, his or her attorneys-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/S/ KEVIN R. MANDIA</u> Kevin R. Mandia	Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	March 1, 2022
<u>/S/ FRANK E. VERDECANNA</u> Frank E. Verdecanna	Executive Vice President and Chief Financial Officer <i>(Principal Financial Officer)</i>	March 1, 2022
<u>/S/ JAMES MEDINA</u> James Medina	Senior Vice President, Finance, Corporate Controller and Chief Accounting Officer <i>(Principal Accounting Officer)</i>	March 1, 2022
<u>/S/ KIMBERLY ALEXY</u> Kimberly Alexy	Director	March 1, 2022
<u>/S/ SARA C. ANDREWS</u> Sara C. Andrews	Director	March 1, 2022
<u>/S/ RONALD E. F. CODD</u> Ronald E. F. Codd	Director	March 1, 2022
<u>/S/ ARTHUR W. COVIELLO, JR.</u> Arthur W. Coviello, Jr.	Director	March 1, 2022

/S/ ADRIAN McDERMOTT Adrian McDermott	Director	March 1, 2022
/S/ VIRAL PATEL Viral Patel	Director	March 1, 2022
/S/ ENRIQUE T. SALEM Enrique T. Salem	Director	March 1, 2022
/S/ ROBERT E. SWITZ Robert E. Switz	Director	March 1, 2022

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Since 2004, Mandiant® has been a trusted partner to security-conscious organizations. Today, industry-leading Mandiant threat intelligence and expertise drive dynamic solutions that help organizations develop more effective programs and instill confidence in their cyber readiness.

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